

S. HRG. 114-221

CONGRESS AND U.S. TARIFF POLICY

HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED FOURTEENTH CONGRESS FIRST SESSION

APRIL 16 AND APRIL 21, 2015



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PUBLISHING OFFICE

99-678—PDF

WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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CONGRESS AND U.S. TARIFF POLICY, PART I

THURSDAY, APRIL 16, 2015

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:12 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Orrin G. Hatch (chairman of the committee) presiding.

Present: Senators Grassley, Roberts, Thune, Isakson, Portman, Toomey, Heller, Scott, Wyden, Schumer, Stabenow, Cantwell, Nelson, Menendez, Carper, Cardin, Brown, Bennet, Casey, and Warner.

Also present: Republican Staff: Chris Campbell, Staff Director; Everett Eissenstat, Chief International Trade Counsel; Rebecca Eubank, International Trade Analyst; Kevin Rosenbaum, Detailee; and Sahra Park Su, Fellow. Democratic Staff: Joshua Sheinkman, Staff Director; Jocelyn Moore, Deputy Staff Director; Michael Evans, General Counsel; Jayme White, Chief Advisor for International Competitiveness and Innovation; and Elissa Alben, International Trade Counsel.

The CHAIRMAN. This hearing will come to order.

I would like to begin by engaging in a colloquy with my friend, the ranking member, to tell the members of the committee and the public where things stand. We have had a very positive set of discussions, and we are, in my opinion, close to reaching an agreement on Trade Promotion Authority, Trade Adjustment Assistance, and other important trade programs. We are not quite there, but I hope and expect that we will be very soon.

Senator WYDEN. Mr. Chairman, thank you. I agree with your assessment. These have obviously been very challenging negotiations. I do believe that we are close to finding common ground. I want to be clear, because I know colleagues want to see how we are going to spend the day—and particularly the week ahead—that any agreement must include not only Trade Promotion Authority but other vital issues like Trade Adjustment Assistance and enforcement.

It may be that the best procedural approach is for these provisions to be passed as separate bills, but the trains absolutely must be on parallel tracks, and both TPA and TAA must make it to the President's desk for signature so that one cannot be enacted without the other.

The CHAIRMAN. I agree to help move these bills on parallel tracks. I oppose the TAA program, but, as I said in the past, I understand it is necessary to maintain Democratic support for TPA,

so, when we have an agreement, I will bring the agreed-upon bill before our committee and ensure that it gets a fair vote. I will also work with our Majority Leader to make sure it gets a fair vote on the floor and that TAA and TPA move in parallel.

Let me explain how we intend to proceed. If an agreement is reached, we will make it available and will brief committee members as soon as possible. At the same time that we work to complete an agreement, this hearing gives us an opportunity to examine TPA, TAA, and other important trade issues, and it gives committee members an opportunity to ask questions of key administration officials and raise issues of concern.

Senator WYDEN. Mr. Chairman, I have one other suggestion. If an agreement is reached soon, I believe the committee should reconvene later today, so that it would be possible to consider the agreement in further detail. Is the chairman willing to do that?

The CHAIRMAN. Yes, that is a good suggestion. Subject to scheduling considerations, we will reconvene the hearing, so this will be a continued hearing throughout the day.

Senator WYDEN. Thank you.

Senator STABENOW. Mr. Chairman, might I ask a question?

The CHAIRMAN. Sure.

Senator STABENOW. Thank you. I assume that that does not mean voting today on an agreement we have not yet even seen, that has not been reached?

Senator WYDEN. The Senator is absolutely correct.

Senator STABENOW. Thank you.

The CHAIRMAN. The mark-up will be next Wednesday—

Senator STABENOW. Thank you.

The CHAIRMAN [continuing]. Assuming that we have this all together, and I think we will.

**OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S.
SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. Now, the committee will come to order.

I would like to thank everyone for attending today's hearing on Congress and U.S. tariff policy and offer a special welcome to this distinguished panel of witnesses we have before our committee today: Ambassador Froman, Secretary Lew, and Secretary Vilsack. Each of you gentlemen serves in key positions and makes decisions every day on important trade issues, so we really look forward to your testimony and appreciate your contributions to this debate.

My hope is that this hearing will help kick-start the first real opportunity we have had to debate U.S. trade policy in a number of years as we get closer to introducing and enacting legislation to renew Trade Promotion Authority, or TPA.

Let me start by stating one simple premise. U.S. trade with other countries is a very good thing. Trade creates new opportunities for America's workers, enhances the standard of living for our citizens, helps our national security by solidifying alliances with like-minded nations, advances America's values abroad, strengthens the rule of law, and helps lift people across the globe out of poverty.

To effectively achieve these goals, Congress must be an effective partner with the administration. Our Nation's constitutional framework is complex. Article I of the Constitution grants to the Con-

gress the power to regulate commerce with foreign nations, but Article II grants the President the power to conduct foreign policy.

I think most would agree that trying to negotiate an agreement among many different parties with different priorities and vague objectives is an inherently difficult, if not impossible, proposition. Most would also agree that it would be even more difficult to reach an agreement if the parties are unsure if their negotiating partners will be able to put the agreement into force.

Given those realities, it is pretty easy to understand why TPA is so important. No potential trade partner will give our negotiators their best offer unless they know what issues matter to us the most and whether we can deliver on the final deal. Simply put, for America to be able to succeed at the trade negotiating table and to set the rules for a fair international marketplace, we have to speak with one voice in our demands and provide assurance that we will deliver what we promise.

Now, people have different theories about how to best achieve these goals, but there is only one legislative tool with a proven track record, and that is Trade Promotion Authority. TPA is the most powerful tool in Congress's trade arsenal. For decades now, robust TPA laws have ensured that Congress plays a leading role in setting our country's trade agenda and providing our trade negotiators with the necessary tools to reach the best deals possible.

Currently, the Obama administration is in the midst of negotiating some of the most ambitious trade agreements in our Nation's history. I commend the administration for that, and these leaders here today. But, as I have stated on a number of occasions, those negotiations will almost certainly fail if Congress does not renew TPA.

Make no mistake, failure on these negotiations would have a negative impact on our economy. More than 96 percent of the world's consumers live outside the United States. In order to be competitive, American businesses need to be able to sell more American-made products and services to overseas customers. Put simply, if we want to create more opportunity and high-paying jobs here at home, we need to open more foreign markets to U.S. goods and services.

We should be doing all we can to tear down barriers to American exports, while at the same time laying down enforceable rules for our trading partners so that we can be sure that American workers and job creators are competing on a level playing field. We need to be leading the world on trade, writing the rules, and setting standards. If we do not, other countries like China most certainly will.

We can address all of these concerns by passing strong TPA legislation. Senator Wyden and I, and others on the committee, are currently working to do just that. I want to personally thank Senator Wyden for his efforts to help us get as far as we have. I also want to once again thank the three Cabinet officials who are here to share their views on the role of Congress's U.S. tariff policy and what our work means to our Nation's international trade agenda.

[The prepared statement of Chairman Hatch appears in the appendix.]

The CHAIRMAN. We will now turn to Senator Wyden, our ranking member, for his opening statement.

**OPENING STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you very much, Mr. Chairman. It has been good to work with you over the last few months. I look forward, Mr. Chairman, to talking about this more today. I look forward to talking about it extensively over the next week, and then, I think it is clear we are going to be talking about it for weeks after that.

This is an issue of such importance that it is essential to provide that kind of time, and I know you share my view that, on issues like this that really address the future of America's place in the global economy and national security, it takes that kind of deliberation.

I also want to say to colleagues that this also must include the health care tax credit. In other words, it will not just be the Trade Adjustment Assistance program in terms of assisting our workers; it also is going to have to include a strong health care tax credit. Our colleague who has led that fight is not here, Senator Brown, but he has been eloquent in talking about what it means for workers, and it absolutely must be part of this agreement.

For purposes of my kind of brief opening statement, Mr. Chairman, I had town hall meetings in my home State just this last week. The one issue that came up again and again was the excessive secrecy—the excessive secrecy—that seems to have accompanied so much of this debate. My view is, if you believe in trade and you want more of it, the last thing you should be for is all this secrecy that just makes the public more cynical and skeptical about what trade is all about.

So American trade policy needs to be debated openly, and it is time to pull it out of the time warp so that it works better for middle-class Americans and delivers a new level of transparency. The focus of trade policy has to be about creating more red, white, and blue jobs and helping Americans climb the economic ladder. The same old playbook on global trade does not work for Oregonians; it does not work for Americans. I want to be clear as we start this discussion: I will not accept it.

Now, as Chairman Hatch and I have discussed, we are working on a variety of issues that includes Trade Promotion Authority, Trade Adjustment Assistance, particularly tougher trade enforcement, and a variety of other important programs. I believe, as we begin this debate, it is important to recognize how important it is to have a fresh, strong strategy on enforcing our trade laws.

This is critical to stop rulebreaking countries. Enforcement ought to be based on defending American jobs and promoting economic growth at home. It is also long past time to raise the bar on enforceable labor standards, enforceable environmental protection, and human rights. I am particularly pleased that Senator Cardin has led the fight here on human rights and governance and the fight for those values that are so important to us as Americans.

Bottom line: make the system stronger and better for middle-class workers in Oregon and across the country. Those middle-class trade policies are going to work best when our workforce is ready to compete and when workers have access to job training, financial support, and health care.

At the end of the day, what is going to be different about this is, the public has a right to know from this point on what is at stake in trade. And we are going to start that, because, before the President signs a Trans-Pacific Partnership agreement, it will be published for a significant length of time, and that will be directed for the first time by law.

In the future, we are also going to have to make changes to ensure that the public knows, as negotiations go forward, what is in those negotiations. So those are some of the priorities that I have, Mr. Chairman. I know that this morning's session, given the interest of colleagues, is a chance to talk about some of those priorities, and I look forward to reconvening this afternoon to examine moving ahead in greater detail. I thank you for that opportunity.

The CHAIRMAN. Well, thank you, Senator Wyden.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. We have three excellent witnesses here today, Cabinet-level officials, and we are going to start with Jacob Lew, who is the Treasury Secretary. We are very grateful to have you here. Then we will go to Secretary Vilsack, the Agriculture Secretary, and then we will go to our Trade Representative, Ambassador Froman.

So, Secretary Lew, we will start with you.

Secretary LEW. Thank you, Mr. Chairman. But if I might suggest, if Ambassador Froman went first, it might frame all three of our presentations.

The CHAIRMAN. That would be fine with me.

Secretary LEW. All right. Thank you.

The CHAIRMAN. I thought about that too, but then we thought we would—

Secretary LEW. I appreciate the recognition, and I am happy to deliver a statement.

The CHAIRMAN. All right.

STATEMENT OF HON. MICHAEL FROMAN, U.S. TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador FROMAN. Thank you, Chairman Hatch, Ranking Member Wyden, members of the Finance Committee. Thanks for the opportunity to testify today. Thank you to my colleagues, Secretary Lew and Secretary Vilsack, for being here.

Increasing access to foreign markets for U.S. exports through enhanced trade opportunities has long been a bipartisan effort, because trade plays such a critical role in supporting good jobs, promoting growth, and strengthening the middle class in America.

Closely related to these economic stakes is the fact that sustaining our Nation's strategic position hinges on our economic strength and our ability to lead on trade. The importance of trade to America's economic well-being has never been clearer. Last year, U.S. exports reached \$2.35 trillion, a record-breaking amount that supported an estimated 11.7 million jobs, an increase of 1.8 million jobs since 2009.

With those jobs paying up to 18 percent more on average than non-export-related jobs, trade policy has an important role to play

in raising wages and living standards for the middle class. Partially as a result of our exporting success, our economy continues to grow. Job creation is happening at the fastest pace since the 1990s, and wages are finally starting to rise.

After nearly 2 decades of decline, factories are opening in this country again, manufacturing is starting to return from overseas, and we have added 900,000 new manufacturing jobs over the last 5 years. But we can do better. The playing field is still not level for American workers.

The United States made its decision decades ago to have an economy that is open to the world. Our tariffs are low, and we do not use non-tariff barriers to discriminate against foreign countries. But when we sell our goods abroad, our businesses and workers often face much higher tariffs and countless non-tariff measures.

Many of these imbalances are in areas where the U.S. is most competitive: 50-percent tariffs on certain machinery; 80-percent tariffs on autos; up to 400-percent tariffs on certain agricultural products. In a world where more than 95 percent of all customers live outside our borders, the disadvantages our workers and businesses face are less an inconvenience than an injustice. Fundamentally, our trade agenda is focused on addressing that injustice by changing the status quo so that it works better for Americans.

A critical tool to help us level the playing field for our workers is Trade Promotion Authority. During the 8 decades since Franklin Delano Roosevelt signed the first version of trade negotiating legislation into law, Congresses of both parties have revised and renewed that legislation 18 different times under Democratic and Republican Presidents alike. But TPA has not been updated since 2002, and during that time the global economy has changed significantly. Congress now has the opportunity to account for those tectonic shifts, as well as the emerging consensus around key trade issues.

Bipartisan TPA will bring us one step closer to delivering trade agreements like the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. With those agreements in place, American workers, farmers, ranchers, and businesses of all sizes will have access to nearly two-thirds of the global economy. That will help make the United States the world's production platform of choice, the premier location for making things not only to serve the U.S. market, but for exporting all over the world.

Within our reach is an opportunity to promote not only America's interests, but also our values. That is why leaders from civil society and the private sector have spoken out about the important role that trade has in creating American jobs, advancing the global development and anti-poverty agenda, and protecting the environment.

Trade brings together voices from our agricultural sector and our manufacturing and services sector, and it has united Mayors from across the country from Tallahassee to Tacoma, from Long Beach to Louisville. They understand that the choice we face today is clear. It is between a world in which America sets the rules of the road on trade and a world in which our competitors do. We cannot change the status quo by sitting on the sidelines.

As we speak, China and others are negotiating an agreement that would encompass over 3 billion people. If we allow others to carve up markets of the future, our workers and businesses will pay a steep price. To drive production in the United States and create good jobs here, we must lead, and we must lead together with a unified, bipartisan voice about our commitment to opening markets for our workers, farmers, ranchers, and businesses of all sizes.

So, with so much at stake, Mr. Chairman, I look forward to continuing to work with this committee and the Congress to pass TPA and to advance the broader trade agenda, including renewing the Generalized System of Preferences that expired in 2013 and the African Growth and Opportunity Act well before its expiration in September. We also look forward to working with you to renew Trade Adjustment Assistance.

Thanks very much.

The CHAIRMAN. Thank you, Ambassador Froman.

[The prepared statement of Ambassador Froman appears in the appendix.]

The CHAIRMAN. We will now turn to Secretary Lew.

**STATEMENT OF HON. JACOB J. LEW, SECRETARY,
DEPARTMENT OF THE TREASURY, WASHINGTON, DC**

Secretary LEW. Thank you very much, Mr. Chairman, Ranking Member Wyden, members of the committee. I am happy to be here today and appreciate the opportunity to testify on Trade Promotion Authority. The Treasury Department has been working hard on the President's trade agenda and working very hard on bolstering global economic growth and stability.

Today, exports make up some 30 percent of global GDP, and global per capita incomes are over 50 percent higher than they were 20 years ago. These macroeconomic gains are due in part to the rules-based trading system that boosts U.S. and global exports of goods and services and opportunities for American workers, even as it raises the standard of living for consumers.

Reducing trade barriers and securing reforms abroad through well-crafted trade agreements benefit both U.S. economic competitiveness and global economic prosperity. First, our firms and workers benefit as our partner countries open up their markets to imported goods and services.

Second, as countries open up to trade, over time they innovate more, invest more, and become more productive. The result is a stronger and more stable global economy. That is also important for American businesses and workers.

Trade Promotion Authority is critical in helping secure the substantial economic gains that our ambitious trade agenda and investment agreements can bring. TPA sends a strong signal to our trading partners that Congress and the administration speak with one voice to the rest of the world on our priorities. We strongly agree with members of Congress that unfair currency practices need to be addressed.

Since day one, the President has been clear that no country should grow its exports based on a persistently under-valued exchange rate, and currency has been at the top of Treasury's international agenda.

We share the goal of moving major economies to market-determined exchange rate systems that are transparent, flexible, and reflect underlying economic fundamentals. We are working tirelessly to address currency concerns, and our efforts, through bilateral and multilateral engagements, have met with considerable success. Japan and other G-7 countries have affirmed they will not target exchange rates and will only use domestic instruments to achieve domestic economic objectives. G-20 members have also pledged to move more rapidly toward market-determined exchange rate systems and flexibility in order to reflect underlying economic fundamentals, avoid persistent exchange-rate misalignments, not target exchange rates, and refrain from competitive devaluations.

The IMF has bolstered its surveillance of its members' exchange rate policy obligations and has begun publishing an external sector report that includes estimates of exchange-rate misalignment for 25 major economies.

We have made progress with China on exchange rates through the U.S.-China Strategic and Economic Dialogue and continue to raise the issue regularly with our Chinese counterparts. This has contributed to a decline in China's current account surplus from a peak of 10 percent of GDP before this administration took office to just 2 percent of GDP last year. The RMB has seen a real effective appreciation of nearly 30 percent since China allowed its currency to resume appreciation in mid-2010. We will continue to intensify our efforts on exchange rates, using the tools and channels that are most effective.

We believe that more progress is needed, and Treasury will continue to engage with Congress on how best to address currency issues in a way that is consistent with our overall strategy of bilateral and multilateral engagement, and I look forward to answering questions from the committee.

Thank you.

The CHAIRMAN. Thank you, Mr. Secretary.

[The prepared statement of Secretary Lew appears in the appendix.]

The CHAIRMAN. I might mention that we are going to go as long as we can this morning. I have to leave. We have a vote at 11, and I have to go over to the House and enroll a passed bill, but we will continue. Then we are going to re-continue at 3 today so that we can finish this up today, and hopefully everybody will enjoy the 3 p.m. meeting as much as this morning.

Senator WYDEN. And, Mr. Chairman, I would just say I appreciate that. I really urge colleagues to be here at 3. I know it is short notice, but this will give us a chance to go into more detail. I know, after this hearing, there are going to be a number of meetings, and we just want to use the time, particularly over the next week in this committee, because we are going to have lots of debate after that before it goes to the floor and lots of time on the floor.

But I want colleagues to have every opportunity to look at what I hope will be put together here very shortly. So 3 today, and I appreciate your announcing that at this time, Mr. Chairman.

The CHAIRMAN. Thank you.

Secretary Vilsack, we look forward to your testimony at this time.

**STATEMENT OF HON. TOM VILSACK, SECRETARY,
DEPARTMENT OF AGRICULTURE, WASHINGTON, DC**

Secretary VILSACK. Mr. Chairman, thank you very much. To Senator Wyden and committee members, I appreciate the opportunity to be here this morning to speak specifically on the benefits of Trade Promotion Authority and the trade agreements that are being negotiated for America's farmers, ranchers, and producers.

Let me start with a bit of history. In August of 1941, Franklin Roosevelt and Winston Churchill were off the coast of Nova Scotia discussing the development of the Atlantic Charter, a vision for post-World War II America and the world. In that charter, they agreed as follows in the fourth paragraph, that they will "endeavor with due respect for their existing obligations to further the enjoyment by all States, great or small, victor or vanquished, of access on equal terms to the trade and to the raw materials of the world which are needed for their economic prosperity, and they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing for all improved labor standards, economic advancement, and social security."

That was the vision in 1941, it is the vision today, and it is one that is shared by agricultural groups throughout the United States, as reflected in the letter sent to this committee by 70 agricultural groups indicating support for the Trans-Pacific Partnership agreement, as well as Trade Promotion Authority. It is also reflective of the vision of the eight former Agriculture Secretaries who, in a bipartisan way, indicated their support as well for TPA and TPP.

And well they should: 30 percent of all agricultural sales are a result of trade; 20 percent of all agricultural income is directly related to trade, helping to create those middle-class families we all want to support. The last 6 years have been the best 6 years in agricultural export history, supporting nearly 1.1 million jobs.

Since NAFTA and the free trade agreements subsequent to NAFTA, agricultural exports have increased by 145 percent, despite high tariffs in other countries, sanitary and phytosanitary barriers, and a strong dollar. Agriculture sees TPP as leveling the playing field, reducing tariffs, breaking down SPS barriers, and making access to American products more readily available.

We want to take advantage of the expanding market opportunities in Asia, with a growing middle class that is projected to grow to 3.2 billion people in the next 15 years, 10 times the population of the U.S. We want America to stay in the game. We do not want one-off agreements that America is shut out of.

We want to balance the Chinese influence, using trade as a strategic opportunity, and we absolutely want to assure high standards for both labor and environment, with strong enforcement mechanisms. This is an opportunity, as the President promised to do, to essentially renegotiate NAFTA. We see TPA as essential to getting TPP done.

I can tell you, Mr. Chairman, that I have been across the table from some of my colleagues, agriculture ministers from states that we are currently negotiating with. They are not interested in putting their final or best offer on the table until they are assured that whatever trade agreement Ambassador Froman is able to negotiate

is ultimately provided an up-or-down vote and is not subject to modification or amendment.

We look forward to answering questions as they relate to agriculture, and again, we appreciate the opportunity to be here this morning.

The CHAIRMAN. Well, thank you, Secretary Vilsack.

[The prepared statement of Secretary Vilsack appears in the appendix.]

The CHAIRMAN. Ambassador Froman, maybe I can lead off. You are working hard to conclude agreements like the Trans-Pacific Partnership. Also, you know this committee will carefully review any trade agreement you submit to Congress to ensure that you achieve our priorities. I intend to bring before this committee a Trade Promotion Authority bill that has over 150 negotiating objectives that we expect you to achieve.

If you would, please tell us how you intend to deliver on Congress's trade negotiating objectives and how TPA will help you to achieve a strong trade agreement or set of agreements that will benefit our country.

Ambassador FROMAN. Well, thank you, Mr. Chairman. TPA is a critical tool for moving the trade agenda forward. We have been working closely with this committee and other members of Congress, both in the House and Senate, over the course of the negotiations, consulting closely with them to ensure that we have a clear understanding of what their expectations are for our trade negotiations, that we have incorporated that into our trade negotiating efforts.

We have been making progress in the negotiation, and now getting TPA will allow us to move these agreements forward. We have benefitted enormously from the input we have received, whether it is on market access issues or on rules issues, and we are confident that the agreement that we bring back ultimately will meet the objectives set out by Congress.

The CHAIRMAN. Thank you. I share my colleagues' concerns about countries unfairly manipulating their currency for trade advantage, and I agree that we need to address this problem. But I think a unilateral approach is not the answer.

The TPA bill I introduced in January of 2014 directs the administration for the first time to fight currency manipulations through trade negotiations. Would you please take time to explain to me, and others here, how you are approaching this issue in the context of Trans-Pacific Partnership negotiations?

Ambassador FROMAN. Well, since we have the honor of having Secretary Lew here, why don't I first defer to him?

The CHAIRMAN. That would be fine.

Secretary LEW. Mr. Chairman, we agree with you and with so many members of Congress that currency practices are a critically important issue. I want to begin by saying that we engage on a very, very regular basis in the multilateral institutions—the G-7, the G-20, the IMF—and in an intense way in our bilateral relations to make sure that countries understand the urgency of this issue, and that they understand that the United States will not tolerate practices that we consider unfair.

As I mentioned in my opening remarks, we have made substantial progress in those efforts by getting agreements in international settings that set rules that drive towards market-determined exchange rates and that create more transparency in terms of our ability to see what countries are doing.

In the context of a trade agreement—obviously we have not seen the final text of the TPA that you are working on, but the provision that you refer to from the prior bill, for the first time ever, raised currency to the highest level of being an objective in a trade negotiation. That sends a powerful signal to the world that strengthens our hand when we raise the issue in terms of the importance of addressing it in a fair way.

I think that there is a question in terms of what the nature of an approach would be, and we believe that any efforts that are made here should strengthen our ability to be effective and to bring the world together to agree with us on treating currency in a manner that reflects the kind of fairness that is appropriate.

I think that the question of how that is done is a sensitive one. It is a challenging area, because there is a line between legitimate macroeconomic policies, and things that are truly unfair, that is sometimes difficult to define. It is sometimes very clear when the line is crossed. We would look forward to working with the committee to explore what kinds of mechanisms we can use to strengthen our hand in a way that would make it as effective as possible.

The CHAIRMAN. Thank you.

Secretary Vilsack, you have frequently been a strong voice expressing the importance of TPA. Now, you have stated that the United States will not get the best possible agreement from our trading partners unless our partners know that the deal they signed with the United States is a deal that Congress is going to vote on.

At the same time, you have noted that Congress always holds the ultimate power over any trade agreement: the power to vote it down. Will you explain, as you have done so well before, how TPA allows Congress to retain its power over trade agreements while empowering our negotiators to get the best deal possible for the United States?

Secretary VILSACK. Mr. Chairman, Congress basically sets the framework and provides a set of instructions and borders for Ambassador Froman and his team from which to negotiate. They, I believe, have been listening very carefully during the course of the last several years to the concerns that members of this committee and other members of the Congress have expressed, and I think that they are living up to the directive that you ultimately will provide to them.

Clearly, everyone wants higher standards for labor, environment, wants greater enforcement, and I think that there has been no question that Ambassador Froman has been engaged in ensuring the negotiations are focused on this.

I would say that it is difficult for someone on the other side of the negotiating table to be confident in putting their best offer forward if there is the possibility that members of Congress could then subsequently amend or modify an agreement after it has been

agreed upon by the negotiators. That is why I think it is appropriate to have the balance between a TPA which provides you the ability to set instructions—and set the framework and the boundaries, provide Ambassador Froman the opportunity to negotiate—and then sufficient time for Congress to review what the negotiated agreement is, because then Congress has the opportunity and the appropriate power to decide “yes” or “no.”

The CHAIRMAN. Well, thank you. My time is up.

We are going to try to hold to a firm 5 minutes.

Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman. Mr. Chairman, I also want to note that Senator Casey has done yeoman work on the health care tax credit, and I omitted that in my earlier comments.

Gentlemen, I want to start with this. I have come to feel that opponents of trade deals make a number of very valid arguments. As Senator Hatch knows, I have been fighting to change a lot of those policies. We have talked about the excessive secrecy, the inadequate enforcement, the inadequate congressional oversight through the process. So I want to be clear as we start this, that I think opponents have made a number of valid arguments.

Often they make an argument that I do not think stands up to the facts, and I want to go into this in detail. There has been an argument presented that somehow trade is no longer about tariffs, that America can just get into these foreign markets, and it is really not about tariffs anymore.

Our research shows that that is not the case. There are substantial tariffs on information technology. Colleagues, there are double-digit tariffs on American manufacturers, and often there are triple-digit tariffs on American agriculture. So, these are vital American industries that can pay good jobs.

I think Japan is pretty close to a 40-percent all-in tariff on American agriculture. In my home State, we do a lot of things well, but what we do best is, we grow things, and we want to add value to them, we want to ship them somewhere, because that is a good economic multiplier.

So I want to start with you on this point, Secretary Vilsack. There have been a lot of promises made in the past about trade agreements really turning this all around, and it has not panned out. I would like to hear you tell the committee this morning how you think this time it is going to be different for American agriculture, how this time, under your leadership, under the President's leadership, the administration's team, it is going to be possible for more American farmers to sell their products to a growing middle class around the world.

There are going to be millions of consumers around the world, and they like buying the Oregon brand, they like buying the American brand. Tell us if you will, because it goes right to this question of tariffs, how things are going to be different for American farmers trying to sell to a growing middle class around the world.

Secretary VILSACK. Senator, poultry producers will not face a 240-percent tariff in Japan for their poultry products. Vegetable growers in your State and around the country will not confront 90-percent tariffs in TPP nations. Citrus growers will not confront a 43-percent tariff.

The reality here is that Ambassador Froman understands that in order to secure agriculture support for trade agreements, market access has to be fair. The average agricultural export tariff today in the U.S. is 1.4 percent, so we are at a significant disadvantage. So you are going to see a significant reduction, if not elimination, of those tariffs, which provides a level playing field.

Second, oftentimes countries use sanitary and phytosanitary rules to create artificial barriers that are not science-based and not rules-based. Those also will be coming down, and we will provide strong enforcement if folks decide to use non-scientific and non-rules-based SPS to try to block American agricultural products.

So there is no question, with an expanding market, reduced and eliminated tariffs, and a process for enforcing science- and rules-based sanitary and phytosanitary barriers, that we are going to increase agricultural exports.

Senator WYDEN. We are going to want to work with you to really flesh out those numbers, because my understanding is the number of middle-class households in the developing world by 2025 is going to double, and that would bring the global middle class to more than a billion households.

Much of that additional income that that growing middle class is going to have is going to be spent on food, so whether it is Oregon wheat or blueberries, our farmers, in my view, are in a position, as the most productive farmers in the world, to sell a lot of what they grow to those middle-class consumers around the world.

So, if you could get to every member of this committee the specifics about the tariffs that they are facing now, and what you envision changing for the future, I think that would be very helpful. I am going to go into it some more, colleagues. I have heard that there are no tariffs in, for example, environmental goods. That is an upcoming, promising American industry. They now face very large tariffs.

I want to make it clear that we are going to have to get into this debate in considerable detail, and, if you could furnish that to us, Mr. Secretary, that would be helpful. I know my time is up.

The CHAIRMAN. Well, thank you. Thank you, Senator.

Senator Grassley?

Senator GRASSLEY. Ambassador Froman, at the time of the Chile and Singapore free trade agreements, there was a special carve-out of H-1B visas for those countries. Since then, USTR has consulted with the Judiciary Committee, which has jurisdiction over immigration and nationality issues.

I expect USTR to continue this tradition of consultation; however, we have reason to be concerned about over-reach of this administration and, frankly, I would say future administrations, to unilaterally change our immigration laws.

My question is, could you assure the committee that the TPP agreement, or any related side agreement, does not and will not contain any provisions relating to immigration, visa processing, or temporary entries of persons?

Ambassador FROMAN. Thank you, Senator Grassley. The answer is "yes," I can assure you that we are not negotiating anything in TPP that would require any modifications of the U.S. immigration laws or system, any changes to our existing visa system. In fact,

TPP will explicitly state that it will not require changes in any party's immigration laws or procedures.

Senator GRASSLEY. All right.

Ambassador FROMAN. Now, the 11 other TPP countries are making offers to each other in the area of temporary entry, but we have decided not to do so. So, I appreciate the opportunity to clarify that.

Senator GRASSLEY. Yes. And I am going to ask you some more questions that kind of bring out some possibilities that maybe are not legitimate, but I want to bring them up anyway. According to USTR's website and the outlines of the TPP agreement, countries have agreed on "provisions to promote transparency and efficiency in the processing of applications for temporary entry," and then "that specific obligations related to individual categories of business persons are under discussion." Could you explain? That comes from a 2011 memo.

Ambassador FROMAN. Sure. The text of the temporary entry chapter contains commitments on transparency, visa processing, and cooperation on border security. They are all good governance provisions, and U.S. procedures are already consistent with those provisions. There are no changes to U.S. procedures required by this chapter. On that last issue, again, that is not an issue that the U.S. will be making any offers on.

Senator GRASSLEY. All right. This may be something for clarification. You have said that the United States is not negotiating immigration changes—you have just said that—but that other countries are discussing the issue. If the U.S. signs the TPP, are we bound to what other countries have agreed to with regard to temporary entry of people?

Ambassador FROMAN. What other countries are discussing are reciprocal arrangements with each other with regard to temporary entry, and again the U.S. has decided not to make any offers in that area.

Senator GRASSLEY. All right. Then the last question in this area is, if Congress grants Trade Promotion Authority to President Obama, could immigration provisions be included in future trade agreements, or is that off the table because of Congress's plenary constitutional power over immigration?

Ambassador FROMAN. Again, we have not seen the TPA bill that is being finalized, but it is our expectation that we would not be doing anything in this area without Congress's approval.

Senator GRASSLEY. All right. Then a short question for Secretary Vilsack on country of origin labeling or COOL. I hope it does not conflict with anything you have said, but I would like to ask you anyway. The WTO is currently reviewing COOL—that was brought forward by Mexico and Canada. I am told this is our last appeal, and, if we lose again, we will be forced to reconfigure COOL or face retaliation from our neighbors.

I have read in the press that you have said that there is nothing more that you could do from an administrative perspective to bring COOL into compliance with WTO, so I would like to ask you if you could briefly explain why USDA is out of options as it relates to this issue.

Secretary VILSACK. Senator, the COOL legislation passed by Congress directs us to provide labels to distinguish between U.S.-produced, processed, slaughtered, and raised beef and poultry products versus those which may involve Canada and Mexico. Because of the nature of that law, we are then required to segregate livestock as it comes in to the processing facility. It is this segregation that WTO objects to, at least at this point in time.

Absent a winning of the appeal, we are in a situation where there is a conflict between the law and what the WTO says is inappropriate, which creates the opportunity for retaliation. We just cannot fix it. We have tried, twice. We just cannot fix it. You all have to fix it by either repealing COOL or modifying COOL to create some kind of more generic label.

Senator GRASSLEY. And I thank you, Secretary Vilsack. Thank you, Ambassador Froman.

The CHAIRMAN. Thank you, Senator Grassley.

Senator Schumer?

Senator SCHUMER. Thank you, Mr. Chairman. First, I want to thank Secretaries Lew and Vilsack and Ambassador Froman for making the time to be with us. I would also like to thank our ranking member, Ranking Member Wyden, for trying to get as much time so that we can ask questions and see agreements. I know he has tried hard on that.

But, Mr. Chairman, and you are my dear friend, this process is not good. First, we are dealing with an issue that is unique. We are supposed to vote on TPA, tie our hands, and not vote on amendments before we have seen what the TPP is. I have never seen anything like it.

They say there is no way to do trade agreements otherwise, but at the very minimum we ought to be seeing and having ample time to discuss the TPA agreement beforehand. To say that we are having a hearing now before we have seen the agreement, or even to say we will do it 1 hour after the agreement, is not fair, not right, and not adequate on such an important issue.

So I would like to first ask our three witnesses, if we needed you to come back once we see what the TPA agreement is next week, would you be willing to do so? You can just answer that "yes" or "no."

Ambassador FROMAN. I will take responsibility for this. We are happy to work with the committee in whatever they deem is appropriate in terms of engagement on this issue.

Senator SCHUMER. So you would be willing, if asked.

Ambassador FROMAN. I am happy to work with the chairman and the ranking member in terms of engagement.

Senator SCHUMER. Thank you. And I would ask our chairman if we could have—not at noon today if an agreement is shown to us at 11:30, but at some point—a real hearing on what TPA is, because it is throwing salt in the wound.

Here we go forward on a procedure that is unique, to put it kindly, which is, you do not see what the treaty is before you tie your hands so you cannot amend it. We do not even now know what the TPA is going to be like. Not fair. Not fair. You are a fair-minded man, Chairman Hatch, and you are a good man, and you are my

friend, so I hope you would just reconsider, and we could stretch out this process a little bit.

The next question is on the substance——

The CHAIRMAN. Well, let me just answer on that.

Senator SCHUMER. Please.

The CHAIRMAN. We did have a hearing last year on the bulk of what is in this.

Senator SCHUMER. But we do not have the agreement now.

The CHAIRMAN. I understand, and we will take that under advisement.

Senator SCHUMER. Thank you. I very much appreciate that.

Let me just say, as somebody who at this point is opposed to the agreement, it does not help the cause of those who are for it, to do this rush-through-type situation in this difficult situation.

Now, I would like to make a couple of substantive points, first, on trade itself. I used to be a supporter of free trade. In fact, I lost the AFL-CIO endorsement in my congressional district several times because I supported free trade. I have changed. Here is why I have changed. Here is why.

You can make the argument that a trade agreement like this will increase corporate profits. It probably will. You might even make the argument that it will improve GDP. Maybe it will. But if it does not increase middle-class incomes—which to me is the greatest problem we now face in America, which we did not in the 1990s—I cannot be for such an agreement. Our middle class is hurting. All the evidence I have seen says this hurts middle-class incomes, and I cannot be for it in that regard.

Second, we have talked—my dear friend, Ron Wyden, has talked about enforcement. I have been in the Congress 35 years. With every trade agreement, we talk about enforcement, and we get virtually none. None. We do not get labor enforcement, we do not get environmental enforcement. We do not get all the enforcement we are talking about, and that is why the deck is so stacked against us. It just does not work on a multilateral basis.

Other countries, particularly China, the most rapacious—they are not involved in this agreement, and I agree with the geopolitical goal of getting these countries in our orb, not China's, although that is not equal to me with middle-class incomes going up or down. That is why I am on the other side.

But China just does not abide by these agreements. They say, we are doing what we want, take us to WTO. It will take 6 years. First, if you are a little company—I have had companies in my area that want to sue WTO, 500-job, 1,000-job companies. They cannot. They cannot afford it, and China threatens them. Even the bigger companies, they do not agree.

So I went to the Business Roundtable, and I said, “I do not agree with trade because China steals your intellectual property, manipulates currency, and does not even let you in when you have a good product unless it is a 51-percent Chinese-owned company.” That is why I do not believe in these agreements anymore.

Now, this is before the Business Roundtable—they are all for your bill. Six CEOs ran to the back and told me, you are right, keep it up, and this is including major companies and people you know. They are all afraid to say anything because China retaliates.

So, at the very minimum, to make this agreement well, we ought to do something—it is in consonance with this agreement. Let us deal with China's rapaciousness. Let us at least do something about China. What some of us have proposed, on both sides of the aisle, is a strong currency bill, a bill that is unilateral, a bill that lets our companies, when they are aggrieved, take action.

Now, in good faith, the Secretary of the Treasury, Ambassador Froman, and Mr. Zients have come to me and said, "Here is a proposal." The problem with their proposals is they are weak tea and will not do anything because they all depend—they give an option to our government.

Every time our government has had an option to call China a currency manipulator for 20 years, we have not done it. It does not work. The bill we have proposed—I am sorry. Yes, it is; my time is up. But the bill we have proposed is strong and unilateral. It gives companies that are aggrieved an option for relief, and we cannot have weak tea.

The CHAIRMAN. Your time is up.

Senator SCHUMER. I am sorry I went over time.

The CHAIRMAN. Your time is up, Senator, but I understand your feelings. You are going to make an excellent Democratic Leader, is all I can say. [Laughter.]

Senator SCHUMER. As Harry Reid reminds me, it is many months away.

The CHAIRMAN. Yes, that is right. [Laughter.]

We on the inside know.

Senator Roberts?

Secretary LEW. Mr. Chairman, would it be appropriate to take a moment to respond to some of the issues that Senator Schumer raised?

Senator ROBERTS. I am going to do that, if you will give me the time.

The CHAIRMAN. He has the time.

Senator ROBERTS. All right. Then I will be happy to have you respond. Is there any way we can get transparency on that agreement with the Senator from New York and Mr. Reid? [Laughter.]

Senator SCHUMER. I did not hear what you said.

Senator ROBERTS. I know you did not hear it. I was just wondering if we could get some transparency with regards to the conversation between you and Mr. Reid on when we can achieve the take-over and achieve common sense and all the goals that the Senator has espoused on this trade agreement.

Senator SCHUMER. These Schumer conversations are governed by something even tougher than TPA. [Laughter.]

Senator ROBERTS. All right. I will meet you on the basketball court.

I want to thank the witnesses for coming. I appreciate all the work you are doing. Thank you for your work, Mr. Chairman and Mr. Ranking Member. I am not sure. Are we going to see this agreement at 3, if in fact there is an agreement?

The CHAIRMAN. We are moving towards that goal, yes.

Senator ROBERTS. Right. Well, I know you are not quite there, but I also know you have never been this far before.

The CHAIRMAN. That is right.

Senator ROBERTS. All right. Sorry for the country-and-western allegory.

I fully appreciate the primary concern of the distinguished ranking member regarding labor, environment, human rights, transparency, currency manipulation. But, if we do not get a bill, if we do not get an agreement, all of these concerns become specious, and we have all heard those speeches. I would remind everybody that any major bill like this may not be the best possible bill, but it may be the best bill possible.

I think we have to get an agreement. If we do not, the responsibility will fall on this committee. Everybody here has testified that they are going to work very hard on the very concerns that have been raised. I will simply count my distinguished friend, who has now, I think, left, I will mark him down as undecided. [Laughter.]

This may be the only issue where the new Congress and the administration can reach agreement for the benefit, yes of the middle class, but of everybody with regards to income. I would invite the distinguished Senator from New York—and I apologize for saying anything—and also the distinguished Senator from Oregon, who actually was born in Wichita, KS, to come out and talk to the Dodge City folks who are the wheat growers who have endured 4 years of drought and say, where is the trade bill? I would also remind the distinguished ranking member of the famous comment on another major bill: “If you want to know what is in it, you have to pass it first.”

Now, I hope that we can see it, look at it. I hope we can address your concerns.

Senator WYDEN. Count on seeing it.

Senator ROBERTS. All right. Well, I share your concerns.

Let me ask a question of the distinguished Secretary of Agriculture. Tom, thank you for everything that you do. There is much concern regarding the E.U. Commission’s consideration of allowing individual state preferences on the acceptance of biotech crops, even those approved by the Commission following a positive safety assessment.

To me, this regards sound science and practices approved by the world’s premier food safety mechanism, the Food and Drug Administration, as well as the science-based approaches at the Department—our Department—and the EPA. It also disadvantages the under-served in Europe and the famous middle class by raising food prices and, obviously, hurting farmers.

Now, just last week, Germany’s National Academy of Sciences argued that biotech crops can increase yields, reduce the use of insecticides, and increase farmers’ income. The Academy argues that modern molecular breeding techniques are safe and that the cultivation of approved biotech crops presents no risk. I agree with the Academy.

Mr. Secretary, do you believe the U.S. should, or can, consider a trade agreement with the E.U. if member states have the ability to reject U.S. seeds and commodities cultivated after years of research and investment approved by the U.S. Government?

Secretary VILSACK. Senator Roberts, we have made very clear a number of concerns within Agriculture in the very preliminary discussions on the Transatlantic Partnership, and that is one of them.

We have been very clear in our belief that biotechnology is an accepted and an important practice for agriculture to expand productivity, to reduce reliance on chemicals and pesticides. We think it is critically important to meeting the global food security challenge that we will face.

So my expectation is that we will continue to negotiate very hard on that issue, and I would say that we are also deeply concerned about recent discussions in this space where individual countries not only have the concern about cultivation, but also about feed. We will be expressing our objection to that approach as well. So we are going to be very aggressive on that issue, as well as on the geographic preference issue.

Senator ROBERTS. I know my time is up. I apologize to my colleagues. One thing I want to say is, thank you for your advice and counsel and your work with regard to COOL. COOL isn't nearly as cool as some people thought it would be, and the WTO stove is hot.

Now, I know that you have tried every way possible to address this, and speaking on behalf of my distinguished chairman—pardon me, chairperson—emeritus of the committee, Senator Stabenow, we stand ready to fix that with regards to a statutory change, and we look forward to working with you. Thank you.

The CHAIRMAN. Thank you, Senator. Let me just say, I am very appreciative of you folks. I am going to have to leave in just a few minutes, but we are going to continue this hearing, and then we will re-continue it at 3 p.m. So we will go to Senator Stabenow now.

Senator STABENOW. Thank you, Mr. Chairman.

I do join with the chairman of the Agriculture Committee on the issue of COOL. I know, Secretary Vilsack, we are going to work through that and figure that one out. I want to thank all of you for being here and for the roles you play in so many areas.

I do have deep concerns about what is in front of us, but I do want to start out by thanking the administration and Ambassador Froman for the work that is being done on trade enforcement. We have had some significant cases around auto parts. Last June, WTO, as you know, found that China breached rules regarding American automobiles and SUVs and extra-duties. Thank you for that.

Again, China, in August, as it related to rare earth issues, that was very important, as well as WTO finding in favor of a dispute challenging Argentina's importation of U.S. goods, and so there are a number of things. There are a number of things.

One of my concerns is that we have been, and the administration has been, focused on that, but it is very dependent on a particular administration. So having strong enforcement rules in place on an ongoing basis is very, very important.

Let me speak now to something that will be no surprise to any of you, and that is to add to what Senator Schumer was talking about in terms of currency. We have had multiple conversations on this. Senator Graham and I authored a letter a year ago. Sixty members of the Senate signed a letter saying we wanted strong, enforceable currency language in TPA and TPP. That is a real issue in getting all of this passed. I do not know how this passes without something strong, both in terms of TPA and TPP.

I think it is also very important to reiterate—because I know the discussion about American policy versus international policy, other countries—we know that we have economists from all over the political spectrum, from the Economic Policy Institute, the Peterson Institute, former advisor to President Reagan Arthur Laffer, who all agree that currency manipulation has cost us millions of jobs in the United States. And they also discount this argument that the U.S. has manipulated its currency because of our domestic quantitative easing policy that in no way mirrors what China, Japan, Malaysia, and others are doing.

And so, I believe very strongly, as you know, that we need to move forward on strong currency language that is enforceable, not just wishing and hoping. I know there is a lot of effort going on on this, but it needs to be enforceable.

So let me just ask, and, Secretary Lew, I know this is your bailiwick; I know you bring this up over and over again. But we have seen Japan, which is critical, as we all know—we cannot sell automobiles to Japan. Part of this is, I appreciate us opening this up, but they have in fact manipulated their currency 376 times since 1991. So why do we think just moving forward through international forums like IMF will prevent number 377?

Second, if they say they are not going to do it anymore and this is such a big issue for all of us, why can we not, why do we not, include enforceable currency disciplines in TPP, so that we have confidence, and the business community and workers have confidence, that we are serious about 21st-century trade rules?

Secretary Lew?

Secretary LEW. Senator Stabenow, first, as you and I have discussed many times, we agree 100 percent that unfair practices with regard to currency need to be opposed, need to be stopped. The efforts that you have described in terms of our engagement on the international front, both multilaterally and bilaterally, have had real effect.

So, over the last several years, the last 3 years, I do not think that the case could be made that Japan has intervened in a way that would meet the standard that you have described.

Senator STABENOW. Then why not go ahead, I mean, if they are not doing it now and they are not going to be doing it in the future?

Secretary LEW. What have they been doing over the last 3 years? They have been engaging in macroeconomic policies, quantitative easing policies, that some people characterize as the same as the kind of practices that should be barred because they are unfair and manipulative.

I think that the issue is one which, as I understand the current draft—I have not seen it, so it is just based on conversation—reflects raising the issue of currency to the highest level it has ever had in a trade negotiation, making it one of the principle objectives.

We would work with you and the committee on the kind of flexible language that would empower us to have those conversations effectively. I think the thing that we do have to be careful about is anything that would confuse the issue of unfair practices and legitimate macroeconomic policy.

I understand your question is not trying to get at the legitimate macroeconomic policy, but in terms of our engagement with other countries, one can understand why they would be concerned if that line got crossed, just as we would be concerned were there to be any kind of an international agreement that restricted our Central Bank's ability to conduct the monetary policy that it needs to conduct to manage the U.S. economy.

So I think we agree on the goal. I think the language matters, and some flexibility is important in terms of engaging on the international front.

Senator STABENOW. Thank you. I would just say in conclusion that this whole discussion is about whether we are going to export our products or our jobs. That is a very big deal right now for Americans.

Thank you, Mr. Chairman.

Senator ROBERTS [presiding]. Senator Carper?

Senator CARPER. Thank you. Thanks, Mr. Chairman.

Gentlemen, thank you all for joining us. I know you have worked hard on this. Ambassador Froman, I know, especially worked hard on this.

Senator Schumer has spelled out with great passion and, as you know, a lot of heart-felt feeling and thought, his views on currency manipulation. I would just ask the Treasury Secretary, at some point in time we are going to have to reconcile the differences between those who share Chuck's views and the administration. What can the administration live with?

Secretary LEW. Well, Senator Carper, we would start out sharing a view that we should be together in opposing unfair practices that use currency as a way to gain unfair trade advantages, so we do not start out with a disagreement on an objective.

In terms of approach, we do have some concerns, as you know, with the countervailing duty proposal. First, there is a very serious question as to whether or not it is consistent with our WTO obligations, and that is something that we need to pay serious attention to.

Second, it is a mechanism that would take our current anti-dumping regime, which is run by the Commerce Department, and turn it into a process that is devoted to reviewing currency issues, making it more difficult to implement our antidumping rules, which are designed to protect U.S. businesses.

Third, it has the real risk of inviting retaliation and a kind of tit-for-tat of defining currency. While we might define it in a way that we think is fair and would not include policies like the Federal Reserve's policies, other countries could define it differently.

Where is there the potential for agreement? I think, because we have a significant overlapping concern, we would look to find tools that would supplement the current foreign exchange report with an additional ability to use objective criteria—things like significant bilateral trade surplus with the United States, like a material current account surplus, like persistent one-sided intervention and foreign exchange—to set a standard that could trigger some additional actions that we could take that would not have the kinds of problems that we think the countervailing duty proposal has.

We would look forward to working with members of the committee to see if there is a space there where there could be agreement. I do not think it is appropriate for it to be part of TPA. It is not really a set of concerns that are inherently about the trade agreements that would be covered by TPA, but it is a set of serious concerns.

As I said both to Senator Stabenow and earlier, we spare no effort in making the case—I am doing it all week with colleagues from around the world at the IMF meeting. Even if there is a hint of a problem, I am confronting the issue. And we have had significant success.

Getting the G-7 to agree that countries will only use domestic tools for domestic purposes is one of the reasons Japan is not doing the kinds of things Senator Stabenow is concerned about. Getting the G-20 to agree to move towards market-determined exchange rates strengthens our hand when we engage with China, and we have had some significant progress with China. I would worry about an approach that would undermine our ability to make real progress.

Senator CARPER. All right. Well, thank you very much for those responses.

I have a minute and a half left. I want to go back to Ambassador Froman. I do not want to leave without Senator Warner, Senator Cardin, or I raising the issue of poultry. Again, from the State where we have more chickens per capita than any State of America, I think it is——

Ambassador FROMAN. Three hundred chickens per capita.

Senator CARPER. Well, you have it. You are good! One of you mentioned that this is an opportunity. This trade agreement is an opportunity to go back and revisit NAFTA and actually fix some things in NAFTA. I think one of them may actually deal with our inability to sell poultry to our friends up to the north, one of our best trading partners in the world, and that is Canada. We just have not been successful.

Tell us how this trade agreement is going to help address this issue for us.

Ambassador FROMAN. Well, thank you, Senator. Before Canada joined TPP, we had a series of consultations with them about the importance of addressing a number of issues that were not fully addressed in NAFTA, including access to the poultry market. We are encouraging our Canadian partners to come to the table on this issue.

We have not yet seen the kind of engagement on agricultural market access from them that we would like to see. Certainly all TPP parties agreed to achieve a certain level of standards when it came to market access, and we are hopeful that Canada will be able to achieve that objective as we reach closure with the rest of the TPP parties.

Senator CARPER. We appreciate your efforts. Just do not give up. Be vigilant. Thank you.

Senator ROBERTS. Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Let me start off by saying that if we agree that trade is an issue with major domestic and geo-strategic implications for the United

States, then we should at the very least have another hearing after reading a TPA bill, which presently is not before the committee. I mean, 12 hours' notice before a hearing is beneath this committee. And, as some of my colleagues have said before, we should not fast-track fast-track.

While I am glad to see that some of my Republican colleagues are so eager to support this piece of the President's economic agenda by giving President Obama additional executive authority, I am concerned that we are rushing too quickly to fast-track trade agreements that will have major economic consequences.

Now, I know my colleagues know that, in the Senate Foreign Relations Committee, we marked up the Iran Nuclear Agreement Review Act earlier this week. It took a lot of time and a lot of work and patience, but the committee leadership made sure that members had ample time to consider the legislation and offer amendments in an open and respectful process.

So I hope that today's last-minute hearing is not a sign that TPA will be forced through this committee without the open, broadly germane opportunity to first consider the bill, and then to offer views as to how to perfect it. So I am looking forward to getting a chance to actually see the TPA bill currently being negotiated by the chairman and the ranking member and having that opportunity.

So I would like to first ask our witnesses, have any of you seen the text of the Trade Promotion Authority bill that is the topic of today's hearing?

Ambassador FROMAN. We have exchanged ideas over the course of the last several months about the various pieces of this package, but we have not seen any final package or any final text.

Senator MENENDEZ. Has anyone else seen any text? All right. You are shaking your heads, so for the record that is a "no."

So this reminds me of the framework agreement. We have different views of what the agreement is, but we do not have a text to be able to define it, so I do not know how one proceeds without a text.

Ambassador Froman, I asked you at our last hearing on the broad question of trade, how many jobs do you expect to be created—net jobs, I would say, because in every process of trade there are winners and losers—in TPP within the first year, the first 5 years, the first 10 years? You did not give me any figures, and I am wondering if at this point you are in the position to describe what they would be.

Ambassador FROMAN. So, when the agreement is complete, there will be a full economic analysis done. I think the most authoritative analysis out there right now is probably the one that comes from the report from the Peterson Institute that talks about expanding exports, when fully implemented, by \$123 billion a year, adding \$77 billion to U.S. GDP, and contributing to many more high-paying jobs. It depends a bit on where you are on the spectrum of full employment. If you are not at full employment, then it adds jobs. If you are at full employment, then it adds better jobs. So it will bend a little bit—

Senator MENENDEZ. So we do not have a number on the jobs. You are talking about just gross—

Ambassador FROMAN. What we know is that every billion dollars of exports, additional exports, supports somewhere between 5,000 and 7,000 jobs, and that those jobs pay, on average, 18 percent more than non-export-related jobs in the same sector.

Senator MENENDEZ. And the loss of jobs?

Ambassador FROMAN. Well, we have been looking, and we have been doing some studies, State by State or in various districts, to see, because we have so few tariffs ourselves, so few import-sensitive sectors ourselves, where there might be job loss. With our average tariff of 1.4 percent and with no—we do not use non-tariff measures as a barrier to trade——

Senator MENENDEZ. So we do not have an answer on that, exactly.

Ambassador FROMAN. We do not have a specific answer.

Senator MENENDEZ. Let me ask you one other thing. We have discussed many times my concern about adequate intellectual property protection for U.S. innovators, such as those who are working in the life science industry, as part of TPP.

In New Jersey, the bio-pharma industry represents nearly 70,000 employees. While many of us do not know yet how we will judge the final Trans-Pacific Partnership agreement, I am sure you know that one of my priorities remains that we reach 12 years of data protection for biologics within TPP, as currently stipulated in U.S. law. However, I noticed that the President's budget recommends lowering list standard protection to just 7 years as a matter of domestic policy.

So, if Congress passes TPA before TPP is finalized, will USTR continue to negotiate for a 12-year standard as currently in U.S. law, or will it negotiate for the lower standard that the President proposes in his budget?

Ambassador FROMAN. Consistent with past practice where Congress has spoken on an issue of that sort with a number, we have tabled that as our proposal, the 12 years for biologics. Around the table, you have 5 countries that have zero years, 4 countries that have 5 years, 2 countries that have 8 years, and we are at 12 years. This is one of the outstanding issues still to be resolved in terms of where the resolution of the data protection period might be.

Senator ROBERTS. I would tell the distinguished Senator that it is my understanding that we will have a full week to chew and digest, if possible, all the details. It is like being in the same church pew, and we are all going to sing the same song. We know it is going to be "How Great Thou Art," but we just do not have the music. We will get the music.

Senator MENENDEZ. Mr. Chairman, some of us sing better than others, though.

Senator ROBERTS. I understand that. You can sing in the next pew. [Laughter.]

We have Mr. Cardin next. Thank you.

Senator CARDIN. Thank you, Senator Roberts. We have different views on the Democratic side, I think on the Republican side too, on trade issues. But I must tell you I am in full agreement with Senator Menendez and Senator Schumer on the process. We are talking about legislation that gives up the prerogatives, the normal

prerogatives, of Congress. We have not had an issue like this for over 12 years.

At the very minimum, there needs to be a public hearing when we have the text of the legislation. And it is not just the TPA text, it is the TAA text, it is the extension of the tax credits, it is the other related issues that I understand the leadership of this committee intends to bring up for action in this committee.

Mr. Chairman, let me tell you, that hearing must, in my view, have a non-governmental panel. I do not know how we could proceed without giving the stakeholders an opportunity to be heard in this committee, including organized labor.

So I just hope you will relate that to Chairman Hatch and the committee, but I think that due process of this committee and the reputation of this committee requires that we follow that process.

Senator ROBERTS. I would just tell the Senator that I have not been riding this horse, but I do not intend to have it go into a box canyon. So we are not going to go in there and ride out when members do not have the full opportunity to discuss everything that Senator Menendez and you have discussed. I think we will have a full week to do that. If it takes longer, it will take longer. I appreciate that.

Senator CARDIN. Thank you very much.

There are several issues, Ambassador Froman, that I would like us to be able to address. I obviously do not have the text of the bill, so I am at somewhat of a disadvantage. Senator Portman and I have brought forward a proposal that deals with the Boycott, Divestment, and Sanctions movement. We do that because this TPA agreement will deal with more than TPP.

It will also deal with TTIP, if I understand correctly. Particularly with the European countries, the actions taken with BDS have been pretty dramatic. I would hope that we would use this trade opportunity to make progress on that, so we are very much interested in that being a principal negotiating objective. I say that—and I will give you a chance to respond in a moment.

The area that Senator Wyden has mentioned frequently that I did not hear you mention in your opening comments deals with the request I made for principal negotiating objectives for human rights. Several TPP countries are challenged in this area. Using trade is our best opportunity to accelerate those democratic reforms. I am very hopeful that you have made specific progress in your TPP negotiations in these areas.

I specifically mentioned the various points that relate to progress on human rights, to ensure implementation of trade agreements and obligations by strengthening good governance, including internationally recognized human rights, the rule of law, including the right of due process, the right of fair trial, the right of equal protection under the law, the effective operations of legal regimes of our trading partners of the United States through appropriate means, including capacity building.

So my question to you is, can you share with us, before you are going to ask us to act on TPA, the progress that you have made on these issues specifically? Then secondarily, what enforcement can we anticipate will be in the trade agreement, TPP, particularly as to the use of dispute settlement procedures or trade sanctions

if there are violations of the expectations in regards to good governance?

Ambassador FROMAN. Well, thank you, Senator. Thank you for your leadership on this issue. Let me answer you in two parts. One, within TPP we are negotiating a range of obligations that touch upon these issues of governance, transparency, good regulatory practice, participation, anti-corruption, all of which, as you have noted, help contribute to the rule of law and ultimately to the promotion of democracy.

So this has been a key part, one of the key themes of TPP, and it cuts across many of the chapters in terms of focusing on governments being transparent about what they are doing and how they are doing it, putting on the web all of their regulations, allowing for public participation in these processes.

Those are obligations that are subject to the same kind of binding dispute settlement that the rest of the agreement is, as a general matter. So I think you will find in TPP—and we are happy to go through this in detail with you—a whole series of obligations that are broadly in that area—

Senator CARDIN. And enforcement?

Ambassador FROMAN [continuing]. And that as a general matter are enforceable like the other provisions of the agreement.

Senator CARDIN. So, if they do not meet these obligations, we have an opportunity to take that to dispute settlement resolution?

Ambassador FROMAN. Right.

Senator CARDIN. And ultimately trade sanctions?

Ambassador FROMAN. Correct, as a general matter. Separate from the TPP agreement itself, we are using our engagement with these countries to press them on human rights issues as well. I will just use Vietnam as an example, where there clearly are serious human rights issues. From the President on down, at each of these meetings that we have with the senior Vietnamese leadership, we raise issues, for example, around the release of prisoners of conscience.

Vietnam has released a number of prisoners of conscience. We are continuing to press them to release all of their prisoners of conscience unconditionally. We are pressing them on religious freedom and the ability for people to speak out without fear of retribution. Because of our engagement on TPP, we are able to have a more meaningful dialogue with them about that.

Senator CARDIN. And I assume no response about BDS means you agree with Senator Portman and I that it should be a principal term?

Ambassador FROMAN. Obviously, Israel is a key and vital ally. We look forward to learning more about your proposals and working with you.

Senator ROBERTS. Senator Portman? Let me say that, after Senator Portman, it is my understanding it will be Senator Bennet, and then Senator Casey, and then Senator Toomey, with regards to the members who are here. Did I skip you, Mr. Brown?

Senator BROWN. Yes, sir.

Senator ROBERTS. I did not mean to do that. So, Senator Brown, you will be following—

Senator BENNET. Mr. Chairman, I think I am next on the list.

Senator ROBERTS. Yes, I know. Well, I understand that, but we have had four on the minority side. Senator Portman has asked for consideration that he, like everybody else, has an important meeting, if you could just hold on.

Senator BENNET. Well, I would defer to the Senator from Ohio. I also have meetings that I need to——

Senator ROBERTS. Everybody in this room has meetings.

Senator BENNET. I agree. I was just wondering why we are changing the rules.

Senator ROBERTS. I am not changing the rules. We have had a coup, and there is going to be—— [Laughter.]

We have had four on the minority side. Senator Portman had asked if he could be recognized because of this. I agreed to that. So I would recognize Senator Portman, with the understanding that we are going to go down the line over here on this side, if you could just bear with us.

Senator BENNET. Well, with respect to my other friend from Ohio——

Senator PORTMAN. Senator Bennet is before I am.

Senator ROBERTS. I think your name is next, sir. You are Senator Bennet from Colorado, a member of the sometimes——

Senator BENNET. Your neighbor.

Senator ROBERTS. Yes.

Senator BENNET. Thank you. To the west.

Senator ROBERTS. And member of the sometimes powerful Senate Agriculture Committee.

Senator BENNET. That is very correct.

Senator ROBERTS. That is correct. All right.

Senator BENNET. Thank you.

Senator ROBERTS. Senator Portman?

Senator PORTMAN. Thank you, Mr. Chairman, and thank you, Senator Bennet. And, Ben Cardin, thanks for your passion on the human rights issues, and also on the BDS issue we have been working on. I appreciate the answer from Ambassador Froman, but I do think this is a critical part of the overall package. We will have an opportunity to have a good debate on that over the next couple of weeks. This is really economic warfare against some of our allies, including Israel. Senator Cardin and I are going to be eager to get your support on it.

Thanks, too, for being here and for the great testimonies this morning. You all have talked a lot about the importance of trade. I do not disagree with what you said about the importance for us to create more jobs and better-paying jobs, and this is critical to Senator Schumer's point about, how do you get more middle-class jobs, and how do we increase pay?

I mean, one way is you export more, because those are jobs that are supporting goods and services being sold to the 95 percent of consumers outside of our borders. They do pay more. The jobs pay, on average, 18 percent more, with better benefits. We want more stuff stamped "Made in America." I think everyone agrees with that.

But we also have to be sure imports are not illegally traded and they are fairly traded, and I think that is where the enforcement that has been talked about here today is so critically important. We

are looking for a level playing field, and if American workers, farmers, and service providers can have a level playing field, we will be just fine, but we do not see that now.

So I think that is the concern that, certainly, I experienced when I was in your job and that you are seeing. Just quickly, in terms of these trade agreements, what percentage of the world do we have trade agreements with, in relation to the global GDP or the global economy?

Ambassador FROMAN. That is a good question. I think at the moment it is about 10 percent.

Senator PORTMAN. About 10 percent of the world we have a trade agreement with?

Ambassador FROMAN. TPP is about 40 percent.

Senator PORTMAN. So we do not have a trade agreement with China, for instance, or Japan, or the European Union. Of that 10 percent of the world, what percent of our exports did they get?

Ambassador FROMAN. I would say it is about 30 or 40 percent.

Senator PORTMAN. It is about 47 percent.

Ambassador FROMAN. Yes. Something like that.

Senator PORTMAN. Forty-seven percent, almost half of the exports that come from Ohio and other States—in fact, in Ohio it is a little higher than that, it is over half—go to this 10 percent of the world. So we want more of that. We want more of our products going overseas. But the trick is how to have a level playing field. We talked about a lot of those aspects today.

The one I want to focus on quickly is currency. Secretary Lew said we have more work to do. He said we will not tolerate practices we consider unfair. He talked about how we need to be sure we are not jeopardizing appropriate macroeconomic policy versus intervention. I do not disagree with that. We had a good conversation about this earlier this week.

What we would like to do—and Senator Stabenow and I intend to offer an amendment which I hope the committee can support—is to set up a standard within TPA to be able to ensure that currency is not just considered, but that it has teeth, that there is some enforceability. As you know, there are IMF and WTO principles on this, so all the countries we are talking to about trade agreements are part of this.

I mean, they are members of the IMF or members of WTO. These principles are very clear, but they are not enforceable, so that is what we are trying to do. We do think there is a distinction between macroeconomic policy versus what we would consider to be intervention, and we will use those IMF principles, follow those standards. I think this is one issue where—to the question earlier from Senator Carper about how we can find common ground here, I think this is the place to find it.

I will tell you, it is just not fair, because, right now when a country manipulates its currency—we talked about the fact that, although Japan is engaging in macroeconomic policy now, they have hundreds of times in the past intervened, as have other countries. What happens is, our exports are more expensive, because they have artificially intervened. That is not fair to our workers and our farmers and our service providers.

My colleague Senator Brown has been involved in this issue for many years, because he, like me, goes to talk to these workers and these companies, and they say, wait a minute, we are finally competitive in terms of our energy policy, we are doing everything we can in terms of technology, and we are making concessions on our pay and our benefits, and yet you are telling me that, as Paul Volker famously said, "In 5 minutes, someone can change exchange rates and currency that does away with years of trade negotiating successes." It is just not fair.

In a second, of course, the imports that they are sending to us are less expensive. So this is the lack of a playing field that is level that we are trying to address.

The final thing I want to say, quickly, is that it also affects third-party countries—in other words, other export markets that we have—because those products, whether they are from China, Japan, or wherever, are being sold at an advantage in those markets too, meaning that our workers, our service providers, our farmers, do not have the opportunity to get the market share that they deserve. So we want to work with you on that.

On the health care tax credit that was talked about earlier, Senator Brown and I have authored legislation on this. We think the health care tax credit is incredibly important to have as part of this process. We understand it will probably be part of the TAA discussion. That is fine.

It is very important to about 5,000 Delphi workers in my home State of Ohio. It frankly just lets them pay a portion of their health bills, and that is the least we can do, because their pensions were taken away from them. Their retirement benefits were taken away. If they are not on Medicare yet, if they are between 55 and 64 years old, their pensions were terminated and administered by PBGC. It is a bridge to Medicare for them. So, I hope you can support us on that as well.

With that, thank you, my colleagues, for indulging me and allowing me to intervene.

Senator BENNET [presiding]. I thank the Senator from Ohio, and I now see the opportunity for a real coup. [Laughter.] I just do not know if we are going to be able to make the most of it.

For, I think, probably everybody on this panel, and much more importantly for people in our country, the central challenge we face has been the decoupling of wage growth and job growth from economic growth that we have seen over the last 20 years.

One of you mentioned that we have just begun to see median family incomes begin to grow a little bit, but that is new—very, very new. A lot of that decoupling, I think we would all agree, has had to do with globalization. There are other things as well: productivity and technology. But it is clear that globalization has put pressure on middle-class wages. I have often heard the administration say that we have learned lessons from NAFTA. This is the first time in 20 years we have had the opportunity to negotiate a trade deal.

So I would love to give the balance of my time to the panel to address that issue, to go into some detail about what we have learned from prior agreements, how this agreement is different, and what assurances you can give to the American people that TPP

is actually going to help middle-class families that are struggling with the effects of globalization, and also what the effect would be of the alternative, of not passing this trade agreement.

Ambassador FROMAN. Why don't I start, and of course invite my colleagues to add? Look, Senator, I think you are absolutely right. We have seen the impact of technological change, of productivity increases, and of globalization on American jobs and American wages. Globalization is a real force.

It is the product of the containerization of shipping, the spread of broadband, the emergence of economies like China and Eastern Europe from being closed economies to being open economies, and the ease of air travel. It is a real force that has an impact on the American economy.

The question is, what are we going to do about it? The risk is that people conflate globalization with trade agreements. Globalization is a force; trade agreements are how we shape it. Through trade agreements, if we can not only tear down barriers to our exports as we have been talking about this morning—these barriers tend to be disproportionately high since our market is open and other markets have higher tariffs and have other non-tariff barriers.

If we can tear down barriers disproportionately, we can increase our exports, which we know support jobs that pay more than non-export-related jobs, therefore dealing with wages, and at the same time use agreements to raise standards in these other countries: labor and environmental standards, rule of law standards, as Senator Cardin was saying, and intellectual property rights.

TPP, for the first time ever, will put disciplines on state-owned enterprises, government-owned companies, so when they compete against our private firms and they get the benefit of subsidies or other benefits from the government ownership, if they do not compete fairly against our firms, we will then have a trade action against them, whether it is in their country or whether it is in our country, for the first time ever.

TPP, for the first time, will bring to the digital economy rules from the real economy, so that there is a free flow of data and information so that companies do not have to move abroad from the United States in order to service those markets abroad.

This is particularly important for small and medium-sized businesses that cannot afford to set up offices all over the world, that cannot afford to replicate infrastructure all over the world. TPP will allow them to engage through e-commerce, through the digital economy, with 95 percent of the customers outside this area.

The labor and environmental provisions are the strongest of any trade agreement, and they are fully enforceable, just like any other provision of the trade agreement, including though the availability of trade sanctions. To go to a question that Senator Schumer raised earlier, we demonstrated over the last 5 years—we brought 19 WTO actions, half of them against China. We have won every case that has been brought to conclusion, as Senator Stabenow noted, a number of them in important manufacturing areas.

These are all things that we can do through TPP. The lessons we learned from NAFTA, and the renegotiation of NAFTA that this represents, means that we are pulling into the core of the agree-

ment labor and environmental provisions and making them fully enforceable just like any other provision of the trade agreement, which is what folks have been asking for for some time.

Senator BENNET. Secretary Lew, would you like to answer?

Secretary LEW. I think Mike covered what I would have said. I would just underscore that many of the concerns we raised are, as you said in your opening question, related to globalization. The fact that trade agreements raise the bar—we already have high standards. The world will be a more competitive place for U.S. goods, U.S. services, and U.S. workers if other countries have higher standards, so I think it will lead to more middle-class jobs.

Senator BENNET. Mr. Chairman, I am going to conclude just by saying that I want to go on the record sharing Senator Cardin's concerns about the process here, and I appreciate very much the opportunity to ask questions.

Senator TOOMEY [presiding]. Next is Senator Casey.

Senator CASEY. Thank you, Senator Toomey.

I will be brief. Number one, I wanted to thank our witnesses, Secretary Lew, Secretary Vilsack, and Ambassador Froman. We appreciate your service and the difficult work that you have to do.

I would first, for the record, incorporate by reference Senator Schumer's remarks about the process. I think this process is wholly inadequate in terms of being able to consider such an important policy as it relates to both Trade Promotion Authority and trade itself. So, that is just for the record, but I think there is a lot of agreement, at least on our side, about the process. That does not involve our witnesses.

But I wanted to focus on manufacturing firms. Senator Toomey and I represent a State that has had a tremendous loss of manufacturing jobs, not just over a couple of years but really over a generation. These firms get hammered, and have been getting hammered, and often the damage is done before they can even bring cases when competitors, foreign competitors, break the rules. I think you understand that. I know that most recently the steel industry and other industries have asked for both clarity and stronger enforcement when it comes to enforcing measures for domestic industries, and I know you are aware of that request.

I would just ask—I guess it would be best to ask Ambassador Froman. I know we will be coming back this afternoon, but I would just ask you, on behalf of the administration, if you are in agreement and if you will be committed to working with the steel industry and others to provide that clarity and stronger enforcement.

Ambassador FROMAN. Thank you, Senator Casey. We certainly agree on the importance of enforcement. You note the steel industry, which has been one of the areas that has taken advantage of the enforcement resources more than most. I think, of the 52 anti-dumping and countervailing duty procedures brought last year, I think over 30 of them were from the steel industry. We have been in dialogue with yourself and other members of the Senate and the House, as well as the steel industry, about how best to perhaps improve our trade remedy laws. We are happy to work with you on that.

Senator CASEY. Great. Thanks very much. That is all I have.

Senator ROBERTS [presiding]. Senator Brown?

Senator BROWN. Thank you, Senator Roberts. Thank you very much.

I join my colleagues in my disappointment about this hearing today. I am a little incredulous, too, that the chairman and the ranking member are not here. I do not ever judge other people's schedules—I know we are all busy—but to give such short notice for the meeting is a concern to all of us. I want to talk for a second about what this committee has done historically, and it has never done what it is doing today.

Our predecessors took the consideration of this legislation much more deliberately. The 1979 Senate Finance Committee held 2 days of hearings on trade policy in advance of considering fast-track. They held 9 days of meetings with administration representatives on the substance, 3 days of consultation with the Ways and Means Committee. In 1988, this committee held 6 days of legislative hearings on the Omnibus Trade Act. In 2001, in anticipation of fast-track legislation coming from the House, the committee held 2 days of hearings on that alone.

Yet today we are meeting for a hearing that was noticed 12 hours before it began on a bill we have not seen, with witnesses, I assume, who know more than we do and, frankly, Ambassador, never tell us. Why? So we can rush through a bill that will expedite consideration of the largest trade agreement we have ever negotiated.

Whenever fast-track and other trade bills are finalized, this committee needs to have a legislative hearing on the package before we have a mark-up. I do not know if the ranking member and the chairman plan to do that. You cannot fast-track fast-track. That is a complete abdication of our responsibilities.

I want to lay out a few other points. First, Democrats will not accept massive cuts to TAA, nor will we tolerate separate consideration of TAA which will jeopardize its passage, especially in the House.

Second, there is strong support in this committee, bipartisan, for provisions both on fast-track and on our trade remedy laws to fight currency manipulation. It has cost our country as many as 5 million jobs. We will not accept watered-down versions in either of these proposals.

Third, the package of bills, as it has been described—again, we do not know much—will not do nearly enough on trade enforcement. Any trade package considered by this Congress must include strong trade enforcement provisions, including my Level the Playing Field Act, which was written with direct and detailed consultation with this administration's Department of Commerce, yet we can get no action from this administration on including the Level the Playing Field Act in this legislation.

Fourth, we are considering a bill that will change Senate rules for the consideration of two massive trade acts. The last time we passed fast-track was 12 years ago. A lot has changed in U.S. trade policy since then. The legislative process must be open and methodical, for the committee and on the floor, for the trade agreement itself.

If the administration is committed to helping working-class Americans, you three will insist on a strong TAA program as part

of the bill; an omnibus package that includes strong trade enforcement provisions, again, like the Level the Playing Field Act that this administration helped us to write; and you will accept strong bipartisan proposals to fight currency manipulation.

Now, my question is this, to the Ambassador: I cannot speak for everyone else on this committee, but from my own experience, USTR's consultations with Congress have been—I hesitate to use this adverb, but I will—pathetically inadequate. Here are some examples. We asked for data showing the utilization rate of the Korean FTA since it has gone into effect. We have gotten nothing from USTR.

We asked for information used to justify the auto rules of origin proposal the U.S. tabled in TPP. USTR gave us nothing. I might add, that is where you are able to say—or maybe you are not—that you actually did renegotiate the North American Free Trade Agreement.

We asked for analysis comparing the NAFTA auto rules of origin to the TPP auto rules of origin proposals. USTR said they did not have it. USTR did say they would provide information from Customs on academic studies that were used to develop the auto rules of origin proposal. Two months later, Mr. Ambassador, we are still waiting. My staff asked for a meeting on rules of origin in October of last year. USTR dragged their feet, they dragged their feet, they scheduled it once, they did not show up. We are still waiting for an in-depth briefing 6 months later.

We asked to be kept regularly informed on the negotiations between the U.S. and Vietnam when implementing the agreement's labor standards. It has been 17 weeks since that request; we have gotten no update.

My staff director asked to see the TPP text over recess, after she and I viewed it the week before. She was told “no.” To be clear, she has appropriate clearance and is bound by the laws of our staff and all staff in this situation. So in other words, Nora in my office can only go and look at the TPP text with your staff person at USTR sitting there, only if I am in the room. We can get access, staff can get access to DoD documents, often, to Iran sanctions documents, to CIA briefings, but we cannot get access to Trans-Pacific Partnership text.

Finally, I was one of the 60 Senators who signed the letter urging the administration to include strong enforceable currency disciplines in TPP. It took me nearly a year to get a response from the administration, and we have been told by several officials, including yourself, that TPP will include nothing on currency.

This list is long. It is actually incomplete. I could list a number of other things where your office has been totally unresponsive.

My question is this: is there any legislative text, Mr. Ambassador, that we can include in fast-track that would get you to be more responsive to Senators, more forthcoming with meaningful information about the trade negotiations, and that would get you to be less dismissive of the U.S. Senate and the U.S. House of Representatives?

Ambassador FROMAN. Well, Senator, I am sorry that you feel we have been unresponsive. We take our responsibilities of consulting with Congress very seriously. We consult very closely with the staff

of this committee, which you have access to, on every proposal before we table it. We have had literally hundreds of consultations with the staff of this committee on TPP.

We have had 51 consultations with your office, including 7 with yourself and 44 with your staff on a variety of subjects. But we take this very seriously, and we want to do as much as we possibly can to encourage the dialogue back and forth, and I am happy to address the issues you have raised, either now or later.

This is a key part, I think, of what TPA is intended to lay out, which is, what are the processes for transparency and for access to text? I am glad you raised the issue of text, because we made changes in the last couple of months.

As you know, historically, personal staff did not have access to text at all. The text was only shared with the staff of this committee and of the Ways and Means Committee, our committees of jurisdiction, and of course with members of Congress themselves who have the fundamental responsibility for reviewing the text.

We heard from a number of members of Congress over the last couple of months, and the general view was of three things that they wanted: (1) they wanted the text to be deposited up here so that they did not have to set up an appointment with USTR to view it; (2) they wanted to have the text unredacted so that they could see the positions of our trading partners, not just the positions of the United States where there is bracketed text; and (3) a number of members of Congress and the Senate asked that they be allowed to bring their personal staff with them when they are able to view the text to help them understand and analyze the text. We have accommodated all three of those requests, both in the House and in the Senate. So we look forward to working with you and with the leadership of this committee and the leadership of the Ways and Means Committee.

Senator BROWN. If I can interrupt, Mr. Ambassador, there has been a very, very specific request a number of times from a number of us in the Senate that our staffs could go. Ms. Todd and I went and spent an hour in the room, and I appreciated her being nearby—as if that is a major concession on a trade agreement that is 40 percent of the world's economy. But we spent an hour there. She wanted to go back in the 2 weeks after I had returned to Ohio, and she was not allowed to go back in spite of repeated requests.

However, my staff can go and view all kinds of other documents, with the proper intelligence clearance, having to do with national defense. It just begs the question, this is not—if I could say this, this is not smart politics for you and the Trade Representative to try to sell this huge agreement to a very cynical, very skeptical Senate and a very worried public, because we know——

The CHAIRMAN. Senator——

Senator BROWN. I am sorry, Mr. Chairman. I want to finish, and I am going to, if you will allow me, Mr. Chairman. I did not know you were in the room now. I apologize for that. I do not understand why my staff director cannot go, just because it might have been precedent, why she cannot go in this room in the 2 weeks that all of us were gone, that she could not read this text. It just begs the question of, what are you hiding?

Ambassador FROMAN. We are happy to work with the chairman and the ranking member on this, and with the Ways and Means Committee.

Senator BROWN. The answer is not "yes." The answer is not, "Ms. Todd can go in." The answer is, you will work with the chairman to continue to stonewall and continue to deny access to this agreement for a staff person in the U.S. Senate. That is your answer?

The CHAIRMAN. Senator, your time is up, and we are going to have to stop there. You have gone twice as long as anybody else.

Senator Scott, you are next, but Senator Wyden would like to say a few words.

Senator WYDEN. Less than a minute. Less than a minute, colleagues. I know you have been very patient. I just want to be clear, on the record, that I think Senator Brown is making a number of valid points, particularly with respect to staff access to these kinds of materials. This will be the last time—the last time—where this kind of restriction on staff access is allowed to take place.

This goes to the question of whether there is going to be a fairer debate and a fairer fight with respect to this discussion. A lot of Americans do not think it is fair now. I am committed to changing it, committed to work with the Senator from Ohio. I thank you for the chance to respond briefly.

The CHAIRMAN. Well, let me just say this. I think it has been a very fair process. We have bent over backwards time and time again. Ambassador Froman, you have been up here repeatedly, so has Secretary Lew. We are really happy to have you, Secretary Vilsack. The three of you are terrific people, working in this area. So let us face it, we are never going to satisfy some people who just plain, honestly disagree. But there comes a time when you have to move ahead, and with that we are going to turn to Senator Scott.

Senator SCOTT. Mr. Chairman, I think Senator Toomey has an event, and I will give him my time and take his.

The CHAIRMAN. I would be happy to do that, and then we will take you after Senator Toomey.

Senator SCOTT. Thank you, Mr. Chairman.

Senator TOOMEY. Senator Scott, thank you very much. That was very kind, indeed. I am going to try to be as quick as I can here.

But I would like the panel to just answer directly some straightforward questions, because I know they are on the minds of the folks from Pennsylvania. Starting with Secretary Vilsack, agriculture is the biggest industry in Pennsylvania. We produce a lot of different agricultural products: dairy, poultry, all kinds of fruits, vegetables, corn, soybeans, mushrooms. We do a lot.

If TPA is passed, and subsequent to that we can pass TPP, is it your view that Pennsylvania farmers will export more products than they otherwise would?

Secretary VILSACK. Absolutely.

Senator TOOMEY. And the simple reason is why?

Secretary VILSACK. Senator, tariffs come down.

Senator TOOMEY. Right. So the single biggest thing is, their products become more affordable.

Secretary VILSACK. More competitive. The second equally important reason is, the SPS barriers are not going to be constructed, or they can be torn down more quickly.

Senator TOOMEY. Right. Non-tariff barriers are eliminated, so Pennsylvania farmers sell more products.

Secretary VILSACK. Yes.

Senator TOOMEY. Secretary Lew, according to the Department of Commerce, exports supported 191,000 Pennsylvania jobs last year. A majority of exports are manufactured goods in Pennsylvania. Is it your view that if TPA is passed, and then TPP is subsequently passed, that Pennsylvania manufacturers will export more than they export today, would export more than they otherwise would, and that we will have more employment in the manufacturing sector than we otherwise would?

Secretary LEW. Senator, my view is that if U.S. products compete on a more level playing field, where other countries lower their tariffs and have to meet higher standards that we already meet, that is a competitive environment that will be helpful to U.S. manufacturers.

Senator TOOMEY. All right. That is an indirect answer, though. Directly speaking, do you think that the TPP will result in more manufactured exports from Pennsylvania?

Secretary LEW. I believe there will be more manufacturing exports. I would not pretend to be an expert about Pennsylvania manufacturers, but I believe it would help Pennsylvania manufacturers.

Senator TOOMEY. Yes. We are a very large manufacturing State. If we can manufacture more and sell more overseas, I think that follows.

Secretary Lew, obviously we heard some discussion about the controversy around currency manipulation. Specifically, I think Senator Schumer has introduced legislation—actually for quite some time—that would require currency manipulation to be deemed to be an actionable subsidy with respect to our anti-dumping law. Is it the administration's view that that provision should be left out and should not be included in TPA?

Secretary LEW. Well, Senator, as I indicated earlier, I think countervailing duties based on currency are problematic. They might well not be consistent with our WTO obligations, and I think there is the risk of retaliation, but we would look forward to working with the Congress on strengthening our remedies, not as part of TPA, but in a parallel process.

Senator TOOMEY. And then just very quickly, my last point—I did not hear it come up. Maybe it came up, but I did not hear once anybody make the point about how trade has the characteristic of providing consumers with a range of choices and lower costs and options that are valuable to consumers. We, quite understandably, focus as I just did on the virtues of more jobs that are associated with exports.

But, Ambassador Froman, maybe you would like to address this. Is it your view that a working-class family benefits from the availability of an affordable choice of whatever the product might be that might originate overseas?

Ambassador FROMAN. Yes. Thank you, Senator. That is certainly the case. There have been studies about how the tariff reductions over the last several rounds of trade negotiations have added upwards of \$10,000 per family to their income when it takes into ac-

count the lower costs of the products that they buy, and it is particularly important for lower-income Americans who spend a larger portion of their disposable income on tradeable products like food and clothing and shoes. So, by bringing down those barriers, we both bring down the cost but also, as you say, increase the availability and the choices that consumers have.

Senator TOOMEY. Thank you very much.

Once again, thank you to Senator Scott.

Senator SCOTT. You are very welcome.

The CHAIRMAN. Senator Scott, thank you for your patience. We will now turn to you.

Senator SCOTT. Thank you, Mr. Chairman.

Thank you, Secretary Lew, Secretary Vilsack, and Ambassador Froman, for investing so much time on what is a very important issue.

I do have my first question for Ambassador Froman. There is a well-known issue with a lack of enforcement and duty evasion, looking only at the apparel imports. Of course, this is very important to South Carolina. Last year—there is a conservative estimate that about 15 percent of FTA entries are non-compliant.

This translates roughly to about \$500 million in lost revenue just in 2014, and that is just with one specific sector. These significant enforcement problems exist under the FTAs with only 20 countries, and now we are considering an additional 39 countries, which will cover about 65 percent of global trading if you add in TPP and TTIP.

How does the administration plan to address the additional resources needed to enforce the terms of these agreements and ensure that the U.S. does not continue to lose billions of dollars under current agreements?

Ambassador FROMAN. Well, thank you, Senator, for that question. It is an important issue. One of the areas that we are negotiating in TPP, and we expect to do in TTIP as well, will strengthen our cooperation among Customs officials to avoid circumvention and transshipment that has been a problem.

We have also worked very closely with our colleagues at DHS and Customs and Border Protection to ensure that they have the resources and the focus for enforcing our trade laws, and I think they very much appreciate the significance of that mandate that they have.

Senator SCOTT. Thank you.

Secretary Lew and Ambassador Froman, one of the challenges that I have as I think through the process of approving a TPP agreement is that the executive branch, for the last few years from my perspective, has really undermined the authority of Congress through rulemakings, regulatory measures, and executive actions to achieve results that carry the weight of law without it actually being a law. I certainly understand that the current TPA proposal goes to significant lengths to preserve U.S. sovereignty.

I am very concerned, however, about the potential to effectively change our system of government, change our laws as well, under the current proposal. Considering the troubling actions taken already by the White House, I do not see any reason why President Obama's Trade Representatives would not use the trade agree-

ments as an opportunity to negotiate otherwise unpopular regulatory changes, whether they be environmental, business, labor, or financial regulation.

My question then is, this TPA is being touted as setting a new standard for transparency in trade negotiations that will not allow for trade agreements to impinge on U.S. sovereignty. Does Congress not deserve a chance to review whether certain laws and regulations should be negotiated?

Ambassador FROMAN. Perhaps I can take the first shot at answering that. First, to be absolutely clear, only Congress can change the laws. There is nothing that we can do to our trade agreement that can change the laws without congressional approval, and we consult closely with Congress throughout this process, throughout the negotiations, and of course through whatever the process is that TPA establishes, to get a very clear understanding of the steps that we may have to take to comply with our trade obligations, if any. Ultimately, it is only Congress that has the power and the authority to make the decision about whether to change any laws.

Senator SCOTT. I will take that as a "yes."

Given that response, is it not reasonable for Congress to require a full descriptive list of proposed regulations that are going to be negotiated?

Ambassador FROMAN. We have not seen the final TPA bill, but certainly, as part of the past processes of TPA, we will have to lay out any changes to U.S. law. It tends to be, for example, changes to the tariff schedule long before there is any decision by Congress.

Senator SCOTT. So my concern, obviously, is that, in spite of the laws of our land, the executive actions of the administration, the regulations, the enforcement of those regulations from a bureaucratic process, have in fact had the impact of law without there actually being law.

So our concern is, as we move forward in further negotiations and empower the President to negotiate on our behalf, that part of the negotiation will lead to trade agreements that have imbedded in them regulatory coherence that allows for some new set of standards that are inconsistent with the laws of the land that will be involved or imbedded in those trade agreements.

Secretary LEW. If I could just add, no agency has the authority to make regulations if it is not pursuant to an authority that has been granted. So we do take actions like every administration of both parties has taken for many, many decades.

I think the question here about TPA actually goes the other way, because TPA is a chance for the Congress to put objectives in front of an agreement that comes up for approval. It is a direction to the administration that has guidelines in it of what are the issues that Congress is telling the administration to weigh heavily in the negotiations, and then ultimately Congress gets to vote on a trade agreement.

So I do not agree with the description of the use of executive authority, obviously, but I do not think the TPA is a case of granting that kind of new regulatory authority.

Senator SCOTT. There is no doubt that the process that we would go through to achieve new agreements would require Congress's

final authority, final approval. I get that part. The transparency and the timeline to understand and appreciate what is part of that agreement and having transparency as a part of that process up front, is very important for us to consider in yielding more authority and power to the administration.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you, Senator Scott.

I want to personally thank all three of you. You all three have served with distinction in this administration, and I just care a great deal for each one of you. You, Mr. Ambassador, you have taken a lot of guff over the years, and this is a tough, tough job, but I do not know of anybody who could do it better than you have done it. We have had some very good people in your position, but it is a very, very tough job. If we get this done, this is really monumental. We are talking about nearly 80 percent of world trade if we get TPP and TTIP both done. Is it more than 80 percent?

Ambassador FROMAN. It is about two-thirds of the global economy, yes.

The CHAIRMAN. Yes. I thought it was more than that, but that is a lot. I appreciate the hard work that you have done and the time you have spent away from your family, traveling around the world, debating with others and talking about these matters.

Secretary Vilsack, I appreciate all you do in the world of agriculture. You have done it with fairness across the board, as far as I can see, and I have always had a great deal of respect for you, even when you were Governor. Especially when you were Governor, I should say.

Then, Jack Lew, you have been all over the world fighting for this administration and this government, and all of that effort that you have put forward, I just want to personally thank you for. I want to thank all three of you.

This is a very important time. If we can get this done—and I believe we will; I believe we will have this basically agreed to before the end of this day, and I have good reason to say that—then I intend to hold a mark-up next week, and, hopefully, before the end of the month, we can have this debated on the floor. Hopefully, with your help, we will be able to have enough votes on both sides to be able to pass this and put the United States back in the whole world as a trading partner that everybody is going to want to trade with.

So I know this has been a long hearing. I know that some of it may not have been as pleasant as you would have liked, but I am just very grateful for you taking the time and being with us today. Thanks so much.

With that, we will recess until further notice.

[Whereupon, at 12:15 p.m., the hearing was recessed, reconvening at 3:20 p.m.]

**OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S.
SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. The committee is going to come to order. Welcome back. I appreciate everyone who has returned for the second half of our hearing on trade policy.

Ambassador Froman, I especially want to thank you for appearing again today and for staying a little longer.

I am pleased to announce that Ranking Member Wyden, House Ways and Means Committee Chairman Ryan, and I have reached an agreement on legislation to renew Trade Promotion Authority. We have also reached an agreement on bills to address Trade Adjustment Assistance and to reauthorize and extend some trade preference programs, all of which is very important and none of which could have been done without the help of our ranking member here.

I hope that all my colleagues will take the time to carefully study these bills. Once they do, they will find that we have been able to put together some balanced and effective legislation that will help improve the health of our economy and better serve our Nation's hardworking taxpayers.

The TPA bill contains the clearest articulation of trade policies and priorities in our Nation's history. It includes nearly 150 ambitious high-standard negotiating objectives, including strong rules for intellectual property rights and agricultural trade, as well as protections for U.S. investment. Many of these objectives break down barriers that American exporters face in the 21st-century economy, such as regulatory barriers, currency manipulation, and state-owned enterprises.

The bill contains unprecedented consultation requirements that will ensure that Congress is an equal partner throughout the negotiations. It also includes new transparency requirements that will help the public know and understand what is being discussed before agreements are signed.

Unlike prior TPA bills, the procedures in our bill guarantee that all trade agreements will get an up-or-down vote in Congress. At the same time, we included new tools to hold the administration accountable, including a procedure that Congress can employ if our trade negotiators fail to consult or make progress toward meeting the negotiating objectives. This is a strong bill and one that builds off the success of previous iterations of TPA. It enhances our efforts to expand market access for our exporters and job creators.

Throughout the process of crafting this legislation, I have worked closely with my colleagues, and I would just like to thank all of them for their contributions. I would like to thank Senator Portman for his input on trade issues. He has a great background in this area, and his leadership on TAA and the health coverage tax credit has been extremely important.

Senator Toomey has been a great partner on enforcement issues. The trade bills we are looking at include the strongest language yet on enforcement, and that is really because of members like Senator Toomey and others and the work that they have done.

I would like to thank Senator Grassley as well for his leadership, especially on agricultural issues. I would also like to say a warm thanks to Senator Isakson, who has also been a strong voice for agricultural issues.

In addition, Senator Isakson has been a leader for years on the African Growth and Opportunity Act, and I look forward to working with him to get that renewed along with the Generalized System of Preferences.

We are lucky to have Senator Burr and Senator Scott on the committee. Both have been strong advocates in this process for the textiles industry, and I would like to thank them for their work.

Senator Thune has provided many creative ideas on digital trade. I think we have been able to incorporate a lot of them here, and I would like to thank him for his contributions.

Senators Crapo and Coats have been of great assistance on some particularly challenging agricultural issues, and I would like to thank them as well.

I would like to thank my colleagues on the other side as well. We have been working together. Hopefully we can get enough of our Democrat friends to go with us that we might be able to put this bill through the Senate as well.

As I mentioned this morning, we intend to move expeditiously on these bills. If we do not act now, we will lose our opportunity, so I appreciate the cooperation of all of our members moving forward.

With that, I will turn the time over to Senator Wyden for any remarks that he would like to make.

[The prepared statement of Chairman Hatch appears in the appendix.]

**OPENING STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you very much, Mr. Chairman. Thank you for your graciousness.

Suffice it to say, colleagues, Chairman Hatch and I have been at this, by my count, for over 6 months now, week after week, in effect trying to put in place a modern trade policy. The reality is, much of the body of trade law was written before there were iPhones and people were texting. I look out in the audience and see lots of young people, and it is hard to imagine there was even life before texting.

But there was trade law before there was texting, and what we have sought to do in this debate is to start to flesh out what a modern trade policy would look like and get us out of this time warp where trade law has not kept up with the times.

There are a handful of areas that I have felt particularly strongly about. The first addresses this question of what I consider to be excessive secrecy in the debate about global trade and global commerce. If you believe strongly in trade, as I do, and you want more of it, all of this excessive secrecy accomplishes nothing except making people more cynical and more skeptical about trade.

Chairman Hatch and I—and I thank you for this, Chairman Hatch—have put in place some very different policies with respect to openness and accountability. I want to be clear, for example, that the President of the United States will be required by law to publish trade agreements, starting with the Trans-Pacific Partnership, 60 days before he signs them.

If you take those 60 days and what is probably another couple of months, you are talking about 4 months when, finally, the American people and the Congress get to see what is in an actual trade agreement. In my view, that will make for a fairer debate, and it will make for a fairer fight between people who have different views on this subject.

With respect to enforcement, we take, again, a very different approach. It is designed to respond to Americans who come up to their Senators and say, why in the world would you guys work on a new trade agreement when you are not enforcing the laws that are on the books today? So what we have done is, we have taken the bipartisan ENFORCE Act—colleagues on the other side, colleagues on this side—and we have in effect put that in our enforcement section.

Then we have moved to address a very common concern of both business and labor, that the enforcement process is dramatically limited and flawed by the fact that people do not really even find out in time in order to set in motion the enforcement tools. So we have what amounts to an unfair trade alert, unfair import alert, where people will get that kind of information so that they can set in motion the enforcement tools that they desire.

Then finally, we are seeking to ensure that Congress is involved on an ongoing basis—on an ongoing basis—in the negotiations. After many, many months where Chairman Hatch and I had, I think it would be fair to say, Chairman Hatch, some spirited discussions, we have set up a process that would allow this committee, building on existing law, to turn off fast-track just as it is turned on today.

So, higher standards for trade agreements, tougher enforcement, a new level of transparency and accountability, and vigorous oversight, raising the bar for trade deals. If they fall short, if it does not meet our standards, Congress can put the brakes on a bad deal.

The last couple of points that I would like to make—I see my friend Senator Cardin, the ranking member on the Foreign Relations Committee and a key architect in the historic developments this week. He has led the fight for finally—after years of, I think it would be fair to say, almost indifference to governance questions and human rights—governance and human rights to be right at the center of the trade agenda in the future. The reality is, nobody has the muscle or the determination to force progress on human rights like the United States, and I think that is a real plus.

I just want to mention an issue that has been especially important to me, and that is protecting the free and open Internet and building for the future so as to have priorities that can ensure that information flows freely across national borders.

The last point: no trade deal is going to change U.S. law without congressional action. There is going to be no back door for powerful special interests to skirt U.S. law. Foreign companies will have no more rights in international tribunals than they have in American courts.

Finally, this legislation ensures that, when you have changes in the American economy, in Oregon's economy, there is the opportunity for workers to get job training and financial support and access to health care. Competing in the global economy is a tough challenge, it is a national challenge, and that is why this package expands the Trade Adjustment Assistance program to include not just manufacturing-sector workers, but service-sector workers as well, to cover workers hurt by competition from any country around the world. It also extends the health care tax credit, and it includes

preference programs like the Generalized System of Preferences and the African Growth and Opportunity Act.

If we were to talk about everything this package does, we would be here until breakfast time tomorrow. There are booming economies around the world that have more money to spend with every passing year. I want them to spend it on products that are made and grown here.

So I think that this is the right thing to do here. As Chairman Hatch will tell you, these were very, very challenging discussions. We have not addressed this issue really since 2002. We are going to have a lot more debate on this, colleagues, here in the committee, and on the floor. I think we are on our way to a modern trade policy that strengthens the middle class, expands economic opportunity, and creates high-skill, high-wage jobs at home.

Mr. Chairman, I look forward to talking to our witness today and, as you and I have talked about, hearing from others as well. I thank you very much for your consideration.

The CHAIRMAN. Well, thank you, Senator Wyden.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. We have with us today again Ambassador Froman, the U.S. Trade Representative. Ambassador, you are becoming a very well-known figure to this committee. I would like to thank you and welcome you back. I appreciate especially your giving us so much of your time today.

Would it be all right if we just go into questions, or would you care to make a statement? I would be happy to have your statement if you want to make one.

STATEMENT OF HON. MICHAEL FROMAN, U.S. TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador FROMAN. Well, it is good to be back so soon again. Let me just say, as I mentioned this morning, Trade Promotion Authority has always been a bipartisan effort, and it is important that it is going forward.

I just want to congratulate the chairman and the ranking member on this package of measures. At first glance—of course we have not studied it yet in detail—we see very important developments in terms of the negotiating objectives and with regard to the importance of enforceable labor and environmental standards; a balanced approach to intellectual property rights, promoting innovation and access to medicines, the need to address unfair competition from SOEs, to protect a free and open Internet, to address currency manipulation, and to increase transparency; and increased opportunities for congressional oversight and engagement, strong safeguards of sovereignty to make it absolutely clear that there can be no change of law without congressional approval, and, as the ranking member mentioned, the importance of good governance and the rule of law, which is so important to promoting human rights and democracy.

We look forward to working with you on this, and I am happy to answer your questions.

The CHAIRMAN. Well, thank you, Mr. Ambassador. I am going to withhold any questions, so we will turn to Senator Wyden.

Senator WYDEN. Thank you very much, Mr. Chairman.

Let us start with this question of the Internet. As you know, Ambassador Froman, in this room I put a hold on the predecessor of what are called the PIPA and SOPA bills, these anti-Internet bills, and then did everything I could to actually block them in the next Congress because I thought that these bills, while well-meaning because we are all against piracy, would do a great deal of damage to the architecture of the Internet, and keeping the Internet open and free is absolutely critical.

So I think it would be very helpful to have on the record whether the Trans-Pacific Partnership contains provisions such as those in these anti-Internet bills, the PIPA and SOPA legislative proposals or any others that would damage the openness of the Internet, that would harm the cause of net neutrality, any provisions in your view that would impede the free flow of information and ideas.

Ambassador FROMAN. No, Senator Wyden, it does not include any of those provisions, and it is very much focused on maintaining a free and open Internet. We think that is one of the important parts of the TPP agreement. It includes concepts coming out of existing U.S. law, such as safe harbors for ISP liability. Both technology protection measures but also the exceptions to them, such as cell phone unlocking, create opportunities for that, the flexibility to do that. And it is the first trade agreement that both strengthens copyright but also recognizes exceptions and limitations to copyright law, similar to the fair use doctrine that we have here in the United States.

Senator WYDEN. One last question with respect to the Internet and the digital economy. Would Congress still be able, if the Trans-Pacific Partnership proposal passed, to change U.S. laws to take into account the changing shape of the digital economy?

Ambassador FROMAN. Yes.

Senator WYDEN. All right. The other area that I would like to explore at this time is trade law enforcement. You heard me in my earlier comments talk about how central this is, both in terms of the well-being of American workers and American families, but also in terms of the credibility that a new trade policy is going to have.

I want to commend you, by the way, in terms of the number of approaches you all have taken with rare earth minerals, the steel and plumbing matter, a variety of areas you have made some very important headway on, even before these issues are dealt with in the context of trade.

But we have to lock these more aggressive enforcement policies into a very different strategy here. In my view, the expansion of trade requires an expansion of trade compliance. U.S. businesses and workers have to be able to realize that the benefits you actually negotiate ensure that they can compete on a level playing field with foreign competitors.

If the United States concludes the Trans-Pacific Partnership—and, as you know better than we do, this is still being negotiated—we are going to see an increase in trade with Asia, a region of the world where American manufacturers and American farmers have

repeatedly, repeatedly faced unfair trade practices that disadvantage our workers and disadvantage our families.

How are you all going to ensure that the Trade Representative's Office has an enforcement strategy that is going to meet these new challenges that result from expanded trade?

Ambassador FROMAN. Well, thank you, Senator. We completely agree in what you laid out about the importance of enforcement being part of the compact of these agreements. It is not just about opening agreements, it is making sure that we fully enforce the trade rights that we have negotiated for ourselves, and our trade laws.

I think the first step is to make sure that, in TPP itself, we get very good standards across the board that are fully enforceable, which makes it easier to bring enforcement actions. We have worked internally, as you know, over the last several years to ramp up our enforcement efforts. We have brought 19 cases before the WTO, half of those against China. Every case we have brought that has gone to conclusion we have won, and we are continuing to explore cases.

The President established the Inter-Agency Trade Enforcement Center, which allowed us to bring resources from across the government, from different agencies, to help build better and more complex cases in enforcement. It has been very successful to date, and we look forward to continuing to build on that.

We are right now working with our inter-agency partners—Commerce Department, Labor Department, EPA, and others—to make sure that we have procedures in place for being able to fully and effectively enforce what we negotiate.

Senator WYDEN. Let me see if I can get one other question in that is very important to a lot of Senators, and that is the question of the relationship between trade agreements and having stronger and better labor standards.

The President, as you know, has said that Trade Promotion Authority is going to help him conclude TPP and set high standards in Asia on labor rights. As you know, the International Labor Organization already sets rules on labor rights, and the countries that you are negotiating with have in fact agreed to many of the rules, and yet the problems just persist. They just go on and on. Mexico is part of NAFTA, and it seems to be falling short when it comes to labor rights.

Why do you believe—and I think it is important as part of this hearing—that a new trade agreement is going to help to get these countries to actually live up to the higher labor standards, and what do you propose to do to make sure that they follow up on the promises that are made in TPP on these crucial labor questions?

Ambassador FROMAN. Well, again, I think first, it is making sure that the standards are set sufficiently clearly and at a high level, so that we have the five basic ILO principles, but we also have acceptable conditions of work around minimum wage, hours, and safe workplace conditions.

We are working with countries to ensure that they not only agree to these ILO principles, but that they have a pathway towards bringing their laws into compliance with them and that they also have the capacity-building mechanisms under way to ensure that

they can implement these standards fully, and that is part of the process.

Senator WYDEN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Isakson has not had his first round yet, so we will turn to you, Senator Isakson.

Senator ISAKSON. Well, thank you, Mr. Chairman, and congratulations to both you and the ranking member for good work on the trade agreements. I look forward to working with you, and I appreciate the acknowledgment of my work on AGOA.

It is to that end that I would like to address Ambassador Froman after I express my complete support for Ambassador Froman and his forceful and positive representation of the United States of America in Europe, in Africa, and around the world. You have done an outstanding job. I have seen you in action in Africa; I have seen you in action in Brussels. We are lucky to have you doing it, and I hope this all comes to a good conclusion for you, and for us too.

Ambassador FROMAN. Thank you, Senator.

Senator ISAKSON. As you know, Senator Coons and I have traveled to South Africa over the last 3 years, meeting with Foreign Minister Davies. Foreign Minister Davies is in Washington today because of our invitation, because there have been artificial barriers to domestic chicken from the United States being able to be exported into South Africa.

They have done arbitrary blockage along the way, and we have been trying to use the AGOA extension as a lever to get them to come to the table, asking the South African Poultry Federation and the United States private-sector poultry people to come together and come up with a quota that made sense for both, which we think is the right way to do it.

After my meeting this morning, I think Senator Coons would agree with me, we became concerned that this is a matter of rope-a-dope with South Africa, that they like to string us out until AGOA gets renewed, and they will forget ever talking about it. I do not want AGOA to become subject to one country's trade violations one way or another, but I do want to get on the record two points.

One is, you will have the power, as the Trade Representative, to revisit anybody's participation under AGOA during the course of the agreement, is that correct?

Ambassador FROMAN. We have not, again, seen the final version of the legislation, but yes, that is our expectation.

Senator ISAKSON. Well then, let me ask a third question. If in fact it is not in the final version, would you help assist us in putting in language that would give us the authority to do that?

Ambassador FROMAN. We would be happy to work with you on that.

Senator ISAKSON. Secondly, I understand it is a 10-year agreement. Is that correct, Mr. Chairman, the extension?

The CHAIRMAN. That is correct, yes.

Senator ISAKSON. It is a 10-year extension of AGOA, and I congratulate you on that time period. I think that is right.

Could we possibly, in amending it or dealing with the trade agreement, put in, say, a 3-year look-back period where you say at

the end of 3 years, we will review South Africa, particularly with regard to its market access in poultry, or would that be something we could not do?

Ambassador FROMAN. Well, Senator, we first of all very much appreciate you and your colleagues raising the concerns about agricultural market access to South Africa. It is something we have raised consistently with the South African government from the highest levels on down, and we appreciate working with you on that.

I just met with Minister Davies before coming back up to the Hill to review the progress in the negotiations, and I made clear that we are not seeing sufficient progress towards resolving the outstanding issues at this point and urged him to take further actions to try to resolve our differences.

If we do not make sufficient progress in that regard, we would be happy to work with you on appropriate next steps in the legislation.

Senator ISAKSON. Well, I would really appreciate it, because it would be a shame for the continent of Africa to suffer because one participant on the continent just refused to cooperate in negotiations that are, I think, legitimate.

The last point I will make about the AGOA, Mr. Chairman, is that Africa is a continent of 1.5 billion people with most of the world's rare earth minerals, a tremendous amount of natural gas and oil, and precious minerals. It is a great continent and can become the continent of the 21st century for America, and trade is the key to doing business with those countries, the key to raising the standards in Africa, but also opening up markets for the United States and our companies. So I commend you.

Although AGOA is a footnote compared to TPP and TTIP, it is a very important agreement for the continent of Africa, for the United States, and United States business and investment. So I commend you on what you have done for it, and I appreciate it. When we get the final text of the bill, I will talk to you about some look-back period in the bill if we do not get an agreement out of South Africa.

Ambassador FROMAN. Thank you, Senator.

Senator ISAKSON. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Thune has not had his first round either. I missed that, so we will turn to you, Senator Thune.

Senator THUNE. Thank you, Mr. Chairman. Congratulations to you and Senator Wyden on working this out. Trade should be a bipartisan issue. It is critically important to our economy. When you get a President and leadership in Congress who agree on something when it comes to economic policy, I think everybody ought to take notice. I think it is really important that this President and future Presidents have the authority, the ability that they need, to bring down foreign barriers to American products.

So, congratulations on your good work, and I look forward to working with our colleagues, on both sides on this committee and when we get to the floor, on getting this TPA bill through the process and on the President's desk so these trade agreements can continue and hopefully get completed.

Ambassador Froman, as you know, I think pretty well, there is no greater priority in farm country than making sure that other nations cannot discriminate against our agricultural products or otherwise unfairly keep those products off the market. These are decisions that ought to be left to consumers in those countries.

Unfortunately, too often we have agricultural producers in this country who are seeing access to foreign markets for crops with new technology significantly delayed as a result of the foreign approval process, which puts our farmers at a competitive disadvantage. One of the key negotiating objectives in the agricultural section of the TPA legislation that will soon be introduced is intended to prevent foreign regulatory approval processes from being used as a trade barrier to new agricultural technologies.

I just want to know, do you agree that strong language on this topic in the TPA bill is appropriate, and that addressing these foreign regulatory issues should be a priority when it comes to promoting American farm exports?

Ambassador FROMAN. Absolutely. As Secretary Vilsack mentioned this morning, tariffs are one issue, but there are several issues that block our agricultural exports. These SPS measures, and particularly non-science-based approvals or disapprovals of biotech products, are one set of serious issues that we are trying to take on both in TPP and in TTIP.

We know it is a sensitive issue. There is a lot of public debate about it. Our view is, we are not trying to force anybody anywhere to eat anything, but we do think that the decisions about what is safe should be made by science and not by politics.

Senator THUNE. Great. And I hope that that will continue to be an area of emphasis for you and the negotiators as we move forward.

One of the areas that I have been very involved with, as Senator Wyden and Senator Hatch, I think, mentioned, both as a member of this committee and as the chairman of the Commerce Committee, is the area of digital trade and making sure that other nations cannot restrict data flows across borders that are essential today in the conduct of business.

In December of 2013, Senator Wyden and I introduced the Digital Trade Act, which was designed to set new negotiating objectives when it comes to that area of our trade negotiations. As you know, these are cutting-edge issues that have not been in previous TPA bills enacted into law, so I am wondering if you could briefly discuss—I know you have touched on it a little bit already—how important strong rules are in the area of digital trade for American businesses, whether we are talking about large multinational corporations doing business around the world or the small business person who is using the Internet to sell goods abroad for the first time.

Ambassador FROMAN. No, absolutely. It is absolutely a key part of what we are trying to achieve in TPP. In 2002, when the last TPA bill was passed, there really was not much of a digital economy. There was not that much going on in the area of e-commerce. Over the last 13 years, access to the Internet and e-commerce has exploded all over the world, and we see great opportunities for our companies and for our people.

As you suggested, it goes to the issue of the free flow of data and information across borders. It also goes to the issue of pushing back against localization requirements that some countries have adopted around the world that require companies to build unnecessarily redundant infrastructure in a market in order to serve that market, creating an incentive to move the businesses from the U.S., for example, to another market in order to access that. These are all key parts of what we are negotiating in TPP.

As you suggest, this is very much an issue that affects small and medium-sized businesses. I have met with a number of participants in Etsy, for example. These are people who sell products, out of their homes sometimes, on the Internet, to people all over the world. When they are engaging in e-commerce, they are using software services, computer services, telecommunication services, electronic payment services, and express delivery services. Those are all covered by TPP.

We work on making sure that markets are open to the provision of those services so that our small and medium-sized businesses using the Internet, using the digital economy, can access the 95 percent of the customers who live outside the United States.

Senator THUNE. Good. I am glad to hear that. I appreciate the fact that the chairman and his staff worked hard to incorporate some of those strong provisions in the TPA legislation that we are considering here today, and glad to hear that you are very focused on that in the discussions with both the Europeans and our Asian partners as well.

So, keep up the good fight. Let us push this thing across the finish line and hopefully get these trade deals completed and open up what I think are some very significant markets to American businesses, manufacturers, farmers, and ranchers. And a lot of people in this country would benefit, not to mention, I should say as well, American workers who I think are going to benefit enormously from the economic growth that we see when we are opening up markets abroad. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Thune.

We will go to Senator Cardin now.

Senator CARDIN. Thank you, Mr. Chairman. First, listening to the summary of particularly the TPA bill containing much stronger provisions on labor, environment, and new provisions on good governance, looking at the enforcement issues that were attached to this legislation and the other bills we are taking up, I just want to first thank you, thank Senator Wyden, for developing a bill that tries to take TPA to the next level. I think that is a very important accomplishment.

I want to repeat what I said earlier today, and that is, we just got the bill today. I have read up to page 32, and I found an inconsistency with Ambassador Froman's statement a little bit earlier, and I am going to question you on that in a moment. I have not read the entire bill, which is 113 pages. I have a bad habit, Mr. Chairman. I like to read the bills. I have not read the TAA bill or the health care bill or the preference bills or the AGOA bill. I understand that—

The CHAIRMAN. What kind of Senator are you that you read your own bills? My goodness!

Senator CARDIN. I learned that at the University of Pittsburgh. [Laughter.]

The CHAIRMAN. He knows we both graduated from there. That is great. So I know you do, and you are one of the better Senators here.

Senator CARDIN. Well, my request to you is that I think, for the reputation of this committee, I would just urge you to consider a public hearing before we mark up, and particularly to give non-governmental stakeholders an opportunity to be heard. Organized labor deserves an opportunity to be able to comment publicly before this committee on the provisions that are in this bill, and I would just urge you to give that opportunity.

Mr. Chairman and Ambassador Froman, let me just deal with a couple of issues that I mentioned this morning. It looks like the BDS, dealing with Israel and boycotts, is not in this bill, so I take it from your comments this morning you are prepared to work with Senator Portman and I to develop some language that could be added to this bill.

As I explained earlier, we are interested in the TTIP trade agreements, not TPP. If we could work on some language between now and mark-up, we would certainly hope we could work together in regards to that issue. I take it from your response this morning that you are willing to sit down and work with us in that regard.

Ambassador FROMAN. Yes. We would certainly like to learn more about your proposals and are happy to work with you.

Senator CARDIN. Thank you.

So let me talk about the human rights areas. What I am trying to figure out is the difference between being in section 2(a) and section 2(b), the requirements on the President being in section 3 rather than section 5, and I know those who are listening to this have no idea what I am talking about.

But I read on page 32 that the dispute settlement enforcement applies to principal negotiating objectives, but you mentioned to me this morning that the dispute settlement procedures and enforcement applied to the human rights sections.

I am not quite getting that from what I have read so far, but maybe I am reading the language incorrectly. So I like your answer the best, that we do intend that these provisions are going to be subject to enforcement, including trade sanctions, if they are not remedied.

Ambassador FROMAN. Well, I have not had a chance to read the bill, so you have it on me that—

Senator CARDIN. I am only up to page 32.

Ambassador FROMAN. What I would like to do is to walk through with you what we are actually negotiating in TPP and the various provisions dealing with good governance, transparency, et cetera, and talk to you about how the enforcement applies to that. We are happy to set up a separate meeting to go through that with you.

Senator CARDIN. I appreciate that.

Last weekend I was pretty busy on another matter; this weekend I have free time. I assure you, I am going to be looking at this and taking you and the chairman at your word that we will have the

opportunity to get your input so that, if we need modifications, we will have opportunity to present those during a committee mark-up.

Ambassador FROMAN. Great.

Senator CARDIN. Thank you.

Ambassador FROMAN. Happy to do that.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you.

Ambassador Froman, you have been a solid soldier here for so many times before the committee. I personally am very appreciative of the efforts that you have made and appreciate you being here today, twice. Just one last thing. Please describe how passage of TPA will help our trade agenda.

Ambassador FROMAN. Well—

The CHAIRMAN. You have been doing that, but if you can summarize it in a paragraph, I would appreciate it.

Ambassador FROMAN. Sure. TPA is a critical tool for moving our trade agenda forward. It allows us to speak with one voice when we sit at the negotiating table with our trading partners and ensures them that the executive branch and the Congress are together on a bipartisan basis to pursue the negotiating objectives. So we do view this as a critical tool for moving the agenda forward, and I think today's introduction will have a very positive effect in terms of momentum in our current negotiations.

The CHAIRMAN. Well, thank you. I want to thank you and the other witnesses who were here today, and I want to thank all the Senators who have taken time out of what I know are really busy schedules at this time to take part in this important hearing and debate. I would look forward to continuing to work with all of you on this matter.

The committee will stand in recess, subject to the call of the chair. Thank you.

Senator WYDEN. Mr. Chairman, I just want to say "thank you" for that. I think you heard how strongly my colleagues like Senator Cardin feel about this, and the voices of organized labor. I very much appreciate your thoughtfulness. We are in recess, and I look forward to working with you on this.

The CHAIRMAN. Well, that will be fine. We appreciate you, Mr. Ambassador, and with that, we will recess until further notice by the chair.

Ambassador FROMAN. Thank you.

[Whereupon, at 4 p.m., the hearing was recessed.]

CONGRESS AND U.S. TARIFF POLICY, PART II

TUESDAY, APRIL 21, 2015

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:15 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Orrin G. Hatch (chairman of the committee) presiding.

Present: Senators Grassley, Crapo, Cornyn, Thune, Isakson, Scott, Wyden, Schumer, Stabenow, Cantwell, Nelson, Menendez, Carper, Cardin, Brown, Bennet, Casey, and Warner.

Also present: Republican Staff: Chris Campbell, Staff Director; Bryan Hickman, Special Counsel; and Jay Khosla, Chief Health Counsel and Policy Director. Democratic Staff: Michael Evans, General Counsel; Jocelyn Moore, Deputy Staff Director; Joshua Sheinkman, Staff Director; and Jayme White, Chief Advisor for International Competitiveness and Innovation.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. I would like to welcome everyone to the continuation of our hearings on Congress and U.S. tariff policy.

Today we have a very distinguished panel of witnesses that I hope will help us expand the ongoing discussion of our Nation's trade agenda. As everyone here knows, last week Senator Wyden and I, along with the House Ways and Means Committee Chairman Ryan, introduced legislation to renew Trade Promotion Authority, or TPA.

Our intention is to mark up the TPA bill, along with a handful of other trade-related bills, later this week. This legislation is a long time coming. TPA expired in 2007. While talks for various trade agreements have gone on since that time, without TPA in effect, our negotiators have been effectively negotiating with one hand tied behind their backs, because they have not been able to assure our trading partners that the deal they sign is the one that Congress will vote on in the end. Our legislation will fix that.

I want to thank Ranking Member Wyden for his support and assistance thus far, and also Congressman Ryan as well. We have a long way to go, but, working together, I am confident we can get there.

Now, some have expressed concerns about the process by which we are moving this bill forward. For example, I have heard arguments that we are moving too quickly without adequate discussion or examination. Those concerns are, in my view, very unfounded.

First of all, the bill on which our current TPA legislation is based was first introduced in January of 2014, almost a year and a half ago.

Since that time, it has been available for examination, dissection, discussion, and comment. Thousands of organizations have weighed in on the merits of that bill, including business associations, organized labor, think tanks, and advocacy groups. Many members of Congress from both parties and in both chambers are on record either praising or criticizing that bill.

Officials in the Obama administration expressed their support for it. True enough, in our discussions, Senator Wyden, Chairman Ryan, and I made some improvements of that original bill, but the fundamentals remain the same, and we have been very transparent as to what the changes really have been.

Second, in the 113th Congress, the Finance Committee held nine hearings on trade, and TPA was brought up in virtually every one of them. I know this because, more often than not, I was the one bringing it up. One of those hearings was devoted specifically and entirely to TPA and included the testimony of witnesses across the spectrum, including one representing organized labor.

Finally, since the 114th Congress convened just about 3 months ago, this committee has had three hearings on which trade and TPA were major topics of discussion. Today's hearing is the fourth. In other words, this is a well-covered territory for this committee.

So, while I understand and respect that there are sincerely held views on this topic, some of which are different than mine, any arguments that we have been less than forthcoming and transparent with this TPA legislation are, not to put too fine a point on it, nonsense.

I have been in the Senate a long time and I think am generally considered to be pretty reasonable. I am certainly willing to listen to and consider any genuine concerns that some may have about process. I want all sides to be heard, and I want to have a fair and open debate, and that is why we are having this additional hearing. By all means, we should have a frank and open discussion about these issues, and I hope we will continue to do so today. But let us not dress up our position on trade and TPA as concerns about process.

During our hearing last week, I made two assertions about trade. I stated plainly that U.S. trade with foreign countries is a good thing, and I said that TPA is the best tool Congress has in its arsenal to help influence and facilitate trade. Those are pretty fundamental assertions.

At the end of the day, people are either going to agree with them or they will not. More hearings and weeks of additional delays are not going to change many minds one way or the other on these essential issues. With that in mind, I welcome today's hearing.

Like I said, we have a very distinguished panel of witnesses. It does not get any more distinguished than these two gentlemen who are before us here today. I think they will speak to the heart of these matters.

I look forward to a spirited discussion. For my part, I just want to make clear, if it is not clear enough already, that I believe Congress should be working hand-in-hand with the administration to

break down barriers to foreign markets in order to give our businesses and job creators a chance to compete in the global marketplace.

The United States should be a leader in international trade. We should be setting the standards and making the rules. We simply cannot afford to sit on the sidelines and let other countries dictate where the world goes on trade. Trade is an essential element of a healthy economy.

We should be doing all we can to advance a trade agenda that works for America and advances our interests on the world stage. I might add that this TPA will cover 11 nations in the Trans-Pacific Partnership plus ours, and 28 different nations in the TTIP European partnership plus ours.

So it involves a high percentage of trade throughout the world, and it puts us in a position to be able to do a good job with regard to trade and to advance our country in many ways that we will not be able to do without this legislation. Now, that is where we are. I will just stop right there.

[The prepared statement of Chairman Hatch appears in the appendix.]

The CHAIRMAN. Senator Wyden, why don't you give your remarks?

**OPENING STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you, Mr. Chairman. Mr. Chairman and colleagues, normally I would make an opening statement, the focus of which would be to lay out the significant differences between this bill and the trade bills of the 1990s. Under normal circumstances, I would detail that before the committee at this time.

I have talked with Mr. Trumka often about this topic in the past and have visited with a number of the members of the Chamber to discuss the bill. Given the interest, however, with colleagues on the committee in engaging with our two witnesses—and we thank them both, Mr. Trumka and Mr. Donohue, for doing it—I will forgo any further statement at this time, Mr. Chairman, in the interest of my colleagues who are here to ask questions.

The CHAIRMAN. Well, thank you, Senator Wyden.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. Our first witness is Thomas J. Donohue. He is the president and the CEO of the U.S. Chamber of Commerce, the largest business organization in the world, representing the interests of more than 3 million businesses across various sectors and industries. Mr. Donohue has held this position at the U.S. Chamber since 1997. We have had a lot of experience working together. Prior to that, he served for 13 years as president and CEO of the American Trucking Association. Earlier in his career, he served as the Deputy Assistant Postmaster General of the United States and as vice president of development at Fairfield University.

Mr. Donohue received a bachelor's degree from St. John's University and an MBA from Adelphi University. So we welcome you, Mr. Donohue, to the Finance Committee. We are honored to have you here. We appreciate your willingness to be here today.

Our second witness today on this panel is Richard L. Trumka. Mr. Trumka is president of the 12.5 million-member American Federation of Labor and Congress of Industrial Organizations, or the AFL–CIO, the largest organization of labor unions in the country. He has held this position since 2009. I might add that this organization has an effect for American citizens all over the world. One of my closest friends was the international vice president of the AFL–CIO. He has since passed away, but what a great leader he was in this world.

Now, prior to 2009, Mr. Trumka served for 15 years as the AFL–CIO’s secretary/treasurer. From 1982 to 1995, he was president of the United Mine Workers. Mr. Trumka has a bachelor’s degree from Penn State University and a law degree from Villanova. He is a tough guy and somebody I have a lot of respect for. These are the two top people in this country, as far as I am concerned, to appear at this hearing.

They have widely divergent views perhaps, but, on the other hand, we need to listen to both of them. I want to thank you, Mr. Trumka, and Mr. Donohue as well, for joining us here today. Welcome to the Senate Finance Committee. I hope this will not be the last time you come before this committee.

So with that, we will turn to you, Mr. Donohue. You will be the first witness. We will take your statement now.

STATEMENT OF THOMAS J. DONOHUE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, U.S. CHAMBER OF COMMERCE, WASHINGTON, DC

Mr. DONOHUE. Thank you very much, Chairman Hatch, Ranking Member Wyden, and distinguished members of the committee. As you now know, I am Tom Donohue, and I am president and CEO of the Chamber of Commerce of the United States.

I am really pleased to testify today on behalf of our 3 million small and medium-sized businesses, State and local chambers of commerce, as well as large companies that are members of the Chamber and our national federation.

I am also pleased to be here with my friend, Rich Trumka. We appear quite often together on matters of immigration, infrastructure, and a whole lot of things we agree on. When we retire, we are going to get a Mike-and-Ike show and go on the road. We think we can make a good deal out of it.

The Chamber strongly supports the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, which will renew Trade Promotion Authority. TPA is critical because economic growth and job creation at home depend on our ability to sell American goods and services abroad. After all, 95 percent of the world’s consumers live outside the borders of the United States.

Why does trade matter to our country? In a word, it comes down to American jobs. Already, one in four manufacturing jobs depends on exports, and 1 in 3 acres of American farms is planted for consumers overseas. All totaled, nearly 40 million American jobs depend on trade. Nearly 400,000 jobs in Utah and 500,000 in Oregon depend on trade, just to pick two States at random. [Laughter.]

These numbers could even be higher, but unfortunately the playing field for trade is not always level. While our market is gen-

erally open, U.S. exports face foreign tariffs often soaring into double digits, as well as a thicket of non-tariff barriers.

No one wants to go into a game many points behind before the tip-off, but that is exactly what American exporters are doing every day. These barriers are particularly burdensome for America's small and medium-sized companies, about 300,000 of which are exporters from the United States. The good news is that America's trade agreements do a great job leveling the playing field, and the results include significantly higher exports and new and better jobs.

The Chamber analyzed these benefits in a recent report entitled, "The Open Door of Trade," which we would like, Mr. Chairman, to enter into the record today.

The CHAIRMAN. Without objection, it will be entered.

[The report appears in the appendix on p. 94.]

Mr. DONOHUE. Thank you.

Now, here are some of the highlights of that study. America's 20 trade agreement partners represent just 6 percent of the world's population. Let me say that again. The 20 trade agreements we have around the world represent just 6 percent of the world's population, but they buy nearly half of America's exports.

By tearing down foreign barriers to U.S. exports, these agreements have proven an ability to make big markets even out of small economies. U.S. exports to new trade agreement partners have grown by an annual average of 18 percent in the 5-year period following an agreement coming into force. That is much faster than we typically see in U.S. export growth to other countries.

The increased trade brought about by these agreements supports more than 5 million American jobs, according to a study commissioned by the Chamber. Trade-related jobs also pay well. For instance, manufacturing jobs tied to exports pay wages that average 18 percent higher than those that are not. The trade balance is a poor measure of whether or not your trade policy is successful, but we often hear the opponents of trade arguments say that they cause deficits. That could not be more incorrect.

The United States—I am going to say this: please listen. The United States has a trade surplus with our 20 trade agreement partners as a group. U.S. exports of manufactured goods to our trade agreement partners generate revenue of about \$55,000 for each American factory worker. Many manufacturers just could not make payroll without these export revenues.

For American farmers and ranchers, the stakes are especially high. That is because foreign markets often slap the highest tariffs on their products, and that is why our agricultural exports soared under our new trade agreements. U.S. service exports are also growing rapidly and supporting millions of high-wage jobs, even though the potential for service industries to export is nearly untapped.

But to get more of these benefits, Congress must approve TPA. The United States has never entered into a major trade agreement without it. A simple form of TPA was first enacted in 1934, but the latest version expired in 2007. TPA is based on the common-sense notion that Congress and the White House must work together on trade agreements.

TPA is how Congress sets priorities and holds the administration accountable in trade negotiations. A few people have claimed that this is a presidential power grab. I may be uniquely qualified to comment on this; after all, the Chamber has not been shy about criticizing some actions of the administration when we see overreach.

But TPA is not about Congress ceding power to the President. On the contrary, TPA strengthens the voice of the Congress on trade. Without TPA, the administration can pursue its own priorities at the negotiating table and consult with Congress only when and if it chooses. TPA lets Congress set negotiation goals and sets forth detailed requirements for consultation between the trade negotiators and the Congress.

What should we do with TPA? We should start by bringing several trade negotiations to a successful conclusion. The Trans-Pacific Partnership agreement would open the dynamic Asia-Pacific markets to American goods and services.

It is critical that we do so, because nations across the Pacific are clinching their own trade agreements that exclude the United States, denying American exporters access to these very important markets. TPA gives the United States a strong hand in writing the rules for trade for this important region. It makes us an active player, not a bystander, stuck on the outside looking in.

TPP would affirm and deepen America's ties to Asia at a time when there is a perception that we are pulling back. Then there is the Transatlantic Trade and Investment Partnership, which would further remove barriers between the United States and Europe. This agreement could not come at a better time.

Both America and Europe are dealing with struggling economies, aging populations, and new competition from emerging nations. The United States and the E.U. represent nearly half of the global economy. A relationship that huge, eliminating today's relatively modest trade barriers, could bring extraordinarily large benefits to both countries.

According to a study by the Atlantic Council and the British Embassy, the agreement would create 740,000 new jobs in America. The Trade in Services Agreement, which we have not talked about enough, is another big opportunity, a free trade zone for services with 50 countries around the globe. This agreement plays to one of America's strengths: U.S. service companies are among the most competitive on the globe.

From the U.S. business community's perspective, the negotiating objectives laid out in the TPA bill are balanced and ambitious. They reflect the evolution in U.S. trade agreements in recent years and include the best new ideas in trade policy, and the bill strikes just the right balance on intellectual property, which is the lifeblood of the U.S. economy.

Negotiating objectives have been modernized to reflect our changing economy, with new provisions on digital trade and state-owned enterprises, for examples. Importantly, the bill directs the U.S. trade negotiators to seek comprehensive agreements, avoiding exceptions or carve-outs from those agreements for any industry.

The Chamber supports the TPA bill's negotiating objectives on currency practices. It says that parties to a trade agreement should

avoid manipulating exchange rates to gain an unfair advantage. I believe the U.S. should continue to press economies to adopt market-determined exchange rate systems that reflect economic fundamentals.

In recent years, the G-7 and G-20 economies have affirmed that they will not target exchange rates or engage in competitive devaluations, but the notion that you can use trade policy tools to address monetary policy challenges causes concerns in many quarters.

Here is one, for example. It is not in the U.S.'s interests to enter into an international agreement that would handcuff U.S. monetary policy and limit the flexibility of the Federal Reserve to respond to an economic crisis. The TPA bill's negotiating provision relating to currency reflects a careful and reasonable balance.

The CHAIRMAN. Mr. Donohue, your time is up. I let you go over a little bit. Can you wrap up really quickly?

Mr. DONOHUE. Oh, sure.

The CHAIRMAN. All right.

Mr. DONOHUE. I was going to go as long as I could, it is just that—

The CHAIRMAN. I did not realize that. I would have interrupted you earlier. [Laughter.]

Mr. DONOHUE. No. Thank you.

The CHAIRMAN. No, you are fine.

Mr. DONOHUE. In sum, this is a strong bipartisan bill. There is nothing fast about the manner in which it was done, as the chairman indicated. Given the careful balance in many areas, we urge all of the members to vote for this and get it through.

To conclude, the United States cannot afford to sit on the sideline while others set the rules of trade. To create jobs, growth, and prosperity, our children need us to set the agenda. Two quick points. To open foreign markets to American-made goods and services, we need to renew TPA. Then we have to use the legislation to get these trade agreements. Those agreements now being negotiated are going to make a fundamental difference for this country. With all our trade agreements, old and new, we need to ensure they are enforced.

Mr. Chairman, Senator Wyden, let me thank you for having us here. We will now hear from the other side of the argument, and then we can get down to a good discussion.

The CHAIRMAN. Well, thank you. We surely appreciate your testimony, and we appreciate very much your being here.

[The prepared statement of Mr. Donohue appears in the appendix.]

The CHAIRMAN. Mr. Trumka, we will allow you a little extra time if you need it too. So we will turn to you now and hear your testimony.

STATEMENT OF RICHARD L. TRUMKA, PRESIDENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO), WASHINGTON, DC

Mr. TRUMKA. Thank you, Mr. Chairman. Before I start my oral testimony, I would like to submit for the record my full testimony—

The CHAIRMAN. Without objection.

[The prepared statement of Mr. Trumka appears in the appendix.]

Mr. TRUMKA [continuing]. Bipartisan letters signed from the House and the Senate urging the administration to do something on currency manipulation, and an analysis of the Hatch-Wyden-Ryan TPA bill by Ranking Member Sander Levin. I would like to have those submitted for the record.

The CHAIRMAN. Without objection, they will be placed in the record at this point, or immediately following your remarks.

[The submitted materials appear in the appendix beginning on p. 114.]

Mr. DONOHUE. Excuse me, Rich. Mr. Chairman, there are a few materials, like my formal testimony and so on, I know that you have—

The CHAIRMAN. We will put all of that in the record.

Mr. DONOHUE. Thank you.

The CHAIRMAN. You bet.

Mr. TRUMKA. I would like to start, Mr. Chairman, by stipulating that Tom Donohue is an expert on presidents. He goes back to Abe Lincoln's days, so he is ably qualified to be an expert on those presidents. [Laughter.]

I want to thank you, Chairman Hatch, Senator Wyden, and members of the committee, and my friend Tom Donohue. The labor movement has been advocating for new trade policy for more than 2 decades, for strengthening labor and environmental provisions, for reforming investment rules, for finding the appropriate balance in regulatory measures and intellectual property protections, for fair rules of origin, and finally, for including meaningful currency provisions, among many other issues.

Far from being opposed to trade on principle, we have supported trade deals when warranted. Some examples would be the Jordan trade agreement, the African Growth and Opportunity Act, the Generalized System of Preferences, and the reauthorization of the Import-Export Bank.

Key to reforming our trade policies, we believe, is abolishing the outdated, unaccountable, and un-democratic fast-track process. The Trans-Pacific Partnership now being negotiated by our government includes 12 countries and about 40 percent of the world's GDP. The TPP is designed to be infinitely expandable, so it could very well be the last trade agreement that we negotiate, so it is especially crucial that we get the terms of this one right.

Mr. Chairman, the idea that fast-track lets Congress set the standards and goals for TPP—I am not talking about other agreements, but for TPP—is an absolute fiction. The agreement has been under negotiation for more than 5 years and is essentially complete, so the instructions that you send them will have no effect whatsoever.

Congress cannot set meaningful negotiating objectives if the administration has already negotiated most of the key provisions. I might also add, this would be the worst possible time to pass fast-track for TPP, because the leverage that you have left for those issues that are remaining is right now, and you give that away if you pass fast-track legislation. Congress will lose that crucial lever-

age over any remaining provisions by agreeing to fast-track at this late date. The administration has ignored Congress's direct instructions to negotiate meaningful currency provisions and to reform the flawed Investor-State Dispute Settlement process.

Granting fast-track now takes Congress out of the picture until the agreement is complete. While all fast-track bills have gone through the charade of listing negotiating objectives, there have been no consequences when the administration willfully ignores, or fails to achieve any or all of those objectives.

America needs an entirely new trade negotiating authority, not minor tweaks at the margin. The Hatch-Wyden-Ryan Bipartisan Congressional Trade Priorities and Accountability Act of 2015 falls far short of doing that. Congress must not agree to fast-track a fast-track bill right now, Mr. Chairman. The time allotted between the introduction of the bill, hearings, committee consideration, and floor action is really short, and it is a sign that I believe that, if it had more time and more people knew about it, more people, not less people, would oppose it.

A new and effective trade negotiating authority must do the following. It must ensure that Congress approves trade agreement partners before negotiations begin; create negotiating objectives that are specific to the individual trading partners that we are dealing with, because they are all different; ensure that Congress, not the executive branch, determines whether the congressional trade objectives have been met; ensure Congress has effective opportunities to strip expedited consideration provisions from trade deals that fail to meet congressional objectives, or to incorporate congressional and public participation; increase access to U.S. trade policy making, trade proposals, and negotiating texts for Congress, congressional staff, and the public; and include a broader trade and competitive package that addresses infrastructure, training shortcomings, and reforms tax policies to ensure that all—and I mean all—can benefit from trade.

A few comments about TPP, to the extent that we know. Bipartisan majorities of the House and the Senate have insisted that currency manipulation should be addressed, but the administration has failed to include any currency provisions in TPP. An Economic Policy Institute study said that the U.S. could add as many as 5.8 million jobs to our economy by eliminating currency manipulation.

On investment, legitimate and serious concerns have been raised by both the left and the right about Investor-State Dispute Settlement, yet the investment provisions of TPP have not addressed any of those concerns.

On climate, without a border adjustment, TPP will not stop manufacturers from closing up shops in the United States and moving to TPP countries with no carbon-reduction scheme. In fact, it will encourage China, not a member of this agreement, to move dirty manufacturing plants to countries that are partners to this and to send dirty products back here, to the disadvantage of American producers.

On the labor side, the labor movement has been clear that the status quo on labor, the so-called May 10th agreement, needs further strengthening. The May 10th standards were first steps to-

wards leveling the playing field for workers, but they did little to ensure timely and effective action.

Let me list some of the problems. The highly touted Labor Action Plan in Columbia, combined with the May 10th language protecting workers' rights, has been totally ineffective. Since that plan has been signed, 105 workers have been murdered for trying to exercise their fundamental worker rights in Colombia since the Labor Action Plan was implemented.

Mr. Chairman, we have been told by USTR staff, their general counsel, and their Assistant USTR for Labor told us repeatedly that murder of trade unionists and violence against trade unionists is not a violation of the labor provisions in our FTAs.

So, when people say this is the highest standard yet, talking about labor, you have to excuse me if I am unmoved or I am unsatisfied when they tell us directly, without any equivocation, that violence and the murder of trade unionists for exercising their rights is not a violation of these agreements. Now, we have asked for reasonable measures to strengthen the labor chapter, but USTR has ignored those requests. They are not there.

I would also say that the human rights language in the Hatch-Wyden-Ryan bill is not binding. The fact that several very serious human rights violators—Vietnam, Brunei, Malaysia, and Mexico—are already in the TPP demonstrates that the fast-track objectives are ignored or irrelevant.

In sum, to get this thing right, Congress should not be constrained by misguided secrecy, or speed, or unaccountability of fast-track. We really urge Congress to reject the outdated and undemocratic process known as fast-track and develop instead a new trade negotiating authority for the 21st century. This is going to affect 40 percent of the world's GDP. It may well be the last trade agreement that gets negotiated, and the lives of workers are at stake, and the livelihoods of workers are at stake here. It is important that we get it right.

I can understand our friend Tom advocating for fast-track and TPP. His members have benefitted by it, benefitted greatly. But the average working folks in this country have not, and we need a different deal. We need to have something that really works on our behalf and protects the lives of trade unionists from being murdered, or having violence perpetrated against them, and not be told that it does not—does not—violate a trade agreement.

Mr. Chairman, thank you for the opportunity to speak here today, and I look forward to working with you and Senator Wyden to strengthen this piece of legislation to make it better for the American worker.

The CHAIRMAN. Well, thank you. Thank you, Mr. Trumka, and thank you, Mr. Donohue. We appreciate both of you. We know you are busy people. We also know that you are very sincere people in your respective areas of the law.

Senator Wyden, let us turn to you first.

Senator WYDEN. Thank you very much. Mr. Chairman, I indicated I want to let my colleagues ask their questions. I just want to make one very quick point. Mr. Trumka, with whom I agree so often, suggested that there would be insufficient public scrutiny of TPP. Colleagues, under this legislation, by law, the American peo-

ple will have TPP in their hands for 2 months before the President signs it, and months more before it is fully debated on the floor of the House and the Senate. So with that, I want to let my colleagues ask their questions.

The CHAIRMAN. Well, maybe I will take back my right to ask questions at this point.

Mr. Donohue, as you noted in your opening testimony, and as I have been saying for years now since Trade Promotion Authority expired in 2007, other countries, other competitors in the world marketplace, have not been resting on their laurels when it comes to trade.

Indeed, there are hundreds of free trade agreements around the world that are currently in effect or under negotiation, and the U.S. is a party to relatively few of these agreements. In your opinion, what is the cost to the United States if we refuse to pass new trade agreements while our competitors press forward with their own?

Mr. DONOHUE. Well, long-term refusal—and we have been at it for a while—to pass new trade agreements will basically provide markets across the world to our competitors. It will cost American workers an ever-growing number of jobs, it will have a measurable effect on the economy in the United States, and it will make us far less significant in the geopolitical and economic affairs of the world.

This is the equivalent of going out and resigning from the rest of the world. We are going to say that none of this is important in terms of how we get our children and grandchildren into the economic system? We are going to say none of this is important in terms of what effect we are going to have on the general affairs of the world?

And most of all, Mr. Chairman, 95 percent of the people—and we all agree to this—whom we want to sell something to do not live in the United States. That is no reason to put together agreements that are totally irresponsible, but it is a reason to get out there in the marketplace and compete as we have since our founding. A failure to compete is a resignation from the global economy, and the results would be one of the great tragedies of our time.

The CHAIRMAN. Mr. Trumka, let me ask you a question. According to the USTR, average wages in export-intensive industries in the U.S. are above those in non-export-intensive industries. USTR also tells us that “with every \$1 billion in services exports supporting an estimated 7,000 U.S. jobs, expanded services trade globally will unlock new opportunities for Americans.” According to recent Bureau of Labor Statistics data, close to 12 percent of those employed in service occupations are represented by unions.

So, Mr. Trumka, the administration’s data tells us that the free trade agreements under consideration will expand exports and create more jobs in export-intensive industries, including services. In turn, that means more jobs in sectors with significant union representation and higher wages.

With this data provided from a Democratic, union-friendly administration, why do you oppose agreements that can expand your membership and, more importantly, generate good-paying jobs, including many union jobs for middle-class workers?

What are your thoughts on that, Mr. Donohue, after Mr. Trumka finishes?

Mr. TRUMKA. Well, first of all, I would like to comment on the last question that you asked Tom.

The CHAIRMAN. Sure.

Mr. TRUMKA. This is not a choice between TPP and no trade, where, if we do not get TPP, we get no trade. That is the way you made it sound, and that is the way he answered. There is a lot of distance between there. What we are saying is, let us have a good trade agreement that really does benefit people.

Look, the statistics that you quoted will also tell you, for every billion dollars in trade deficit—and we have about \$500 billion of trade deficit a year—there are several thousand, almost 15,000 jobs, lost per billion dollars of trade deficit. Now, each one of the trade agreements that we have signed so far has encouraged outsourcing and increased that deficit. It is sustaining—\$500 billion a year takes jobs out of the country.

I wish we could reverse that and bring it back. I swear, I do not know where Tom got his figures earlier that we have a surplus, a trade surplus. To have a trade surplus is no figure that I know of, because goods and services and everything else has been in deficit. So, with a good trade bill, Mr. Chairman, we could create jobs, and it could benefit everybody.

But currently the TPP, as constituted, is not that bill. It does not address currency, it does not address the investment provisions, it does not address the labor provisions, and it does not address the environmental provisions. It does not address “buy American” provisions. There are a number of other things that we have listed to try to make this agreement into something worthwhile.

We have worked for 5 years to try to make TPP an agreement that the American worker could benefit from, and precious few of our suggestions—fewer than you can count on one hand—even made it into the U.S.’s proposal to our trading partners. Obviously you cannot achieve something if you do not even propose it and negotiate for it.

So I would love to work with you to create something better than TPP, but a lot better than nothing, because there is a lot of room between that. To imply that, if TPP is not passed, we are not going to do trade is just a misrepresentation, I believe.

The CHAIRMAN. Well, thank you. My time is up. I am sorry. Senator Cornyn?

Senator CORNYN. Thank you, Mr. Chairman.

I come from a State that, in 2013, counted an estimated 1.1 million jobs associated with trade. Just the binational trade with Mexico is estimated to support as many as 6 million jobs in the United States. In terms of its impact on small and medium-sized businesses and the people they employ, 93.1 percent of the trade jobs were in small and medium-sized enterprises with less than 500 employees.

I actually believe that one reason why Texas has done better than the rest of the country, in terms of its economy and jobs, has in large part been because of trade. We have led the Nation in overall exports since 2002 in beef, cotton, petrochemicals, machinery, and high-tech electronics. In 2014 alone, Texas manufacturers

and farmers set new records of exports with nearly \$290 billion worth of merchandise to buyers around the globe.

So I believe that this Trade Promotion Authority proposal that we will mark up tomorrow represents real progress. The challenge I think we have is that, absent Trade Promotion Authority or so-called fast-track authority, we are left with negotiations on behalf of 535 individual members of Congress, which is just not feasible.

What I worry about—and, Mr. Donohue, you have alluded to this—is what happens if we do not engage with Asia as on this Trans-Pacific Partnership proposal, which we have not seen, by the way, Mr. Trumka. I am looking, waiting to see what the contents of it are, because I do believe that the impact of trade does not fall uniformly. There are things we need to do, and there are things we will do with Trade Adjustment Assistance authority to help people who are dislocated as a result of trade learn new skills and earn higher-paying jobs.

But, Mr. Donohue, what would be the consequences to the United States long-term if we do not do this and, let us say, countries like China step in to fill the void?

Mr. DONOHUE. I think it is important to first recognize, Senator, that we are the largest manufacturer in the world. We are the most significant economy in the world. But that reality of what is going on around the world sees large—very large—economies getting more efficient, more productive, and more engaged with one another on trade.

If we are not major players in the trading affairs of the world, it will have a fundamentally negative effect on our economy, on jobs in the United States, and on our influence around the globe.

Now, Mr. Trumka is a very passionate representative of his ideas. I would say just for the record, Mr. Chairman, all of our numbers on jobs from this deal or that deal come from the Commerce Department. When I was talking about the significant benefit in jobs in recent trade agreements, it is very, very clear.

But I think there is another point that we should all look at, if you would allow me to make a point. The jobs that are lost in the United States in manufacturing, the great percentage of them, they go to two countries. They go to a country called efficiency and a country called productivity.

The American business system, which is the most efficient in the world, has taken 40-plus percent of the jobs out of the manufacturing process because of information technology, robotics, process engineering, and supply chain management. Those 40 percent of the jobs are never coming back.

But the way we get the jobs back, which Mr. Trumka wants, I want, and we all want, is we do two things. Number one, we encourage others to come here and produce their products. You could go around this country today, and you would find representatives of Europe looking for places to build their factories, simply because their energy is three times more costly than ours.

The second thing that we need to do, in a fundamentally efficient way, is go out and produce more things in our manufacturing plants and in new manufacturing plants that we would build, and export them around the world. Those are the only ways to expand manufacturing jobs in the United States.

Senator CORNYN. Mr. Chairman, I was not here when the North American Free Trade Agreement was negotiated, but I can tell you, in my State it is viewed as a net positive for that region of the country, as the Central American Free Trade Agreement is.

But part of the consequences—I would just close on this point—I have visited with Senator Kaine down in Honduras recently. You remember the influx of unaccompanied minors streaming across our borders and moving into the United States. Our failure to help our neighbors provide, not only security, but also to help grow their economy where they live does have residual impact on us in ways that perhaps we do not even recognize.

So I appreciate the great work that you and the ranking member have undertaken on this and look forward to supporting the TPA in tomorrow's mark-up.

The CHAIRMAN. Thank you, Senator Cornyn.

Mr. TRUMKA. Mr. Chairman, might I comment to Senator Cornyn?

The CHAIRMAN. Sure.

Mr. TRUMKA. Senator, you indicated that we would have to have 535 different agreements without fast-track. That again is—there is a whole lot in between there. I have suggested the following things to improve Trade Promotion Authority: ensure that Congress approves trade agreement partners before the negotiation begins; create negotiating objectives that are specific to each one of the trading partners, because they are different; ensure that Congress, not the executive branch, determines whether the congressional trade objectives have been met; and ensure that Congress has effective opportunities to strip expedited consideration provisions from trade deals that fail to meet congressional objectives, or to incorporate congressional and public participation. We also think that we ought to integrate this with the rest of the things necessary to make trade work: infrastructure, training, and tax policy.

So it is not that we are saying you cannot have it, or that you should not have it, we are saying this one, the one that you are considering, abrogates too much power. You give too much power away, and you have no control, particularly over this agreement that is almost completely negotiated.

Mr. DONOHUE. Mr. Chairman, we all recognize that a negotiation is a give-and-take. You have experienced it here in your own committee in recent weeks as you, working together, have come up with a bill. That is exactly what happens in a trade negotiation.

The fundamental reality is, we are in a new time. If we fail to inject ourselves at the right time, and in a significant way in this trading process, those other large and growing countries are going to do it on their own.

I know everybody believes America is so essential, because they are, because of technology, because of our value system, and so on. To keep that position, we have to enter into these agreements. We do not have to give away our value system—we have to deal with the things that are important—but there is no way that we can tell everybody else, look, just wait about 10 years, we will get our stuff together, we will think about it, we will work on it. We have to have an expediting system. We have to have a system that lets the people who do this every day all day, professionals, bring you the

results based on what you have told them you want. But tomorrow is too late. Today, it is time to move on these issues.

The CHAIRMAN. Well, thank you.

Senator Schumer?

Senator SCHUMER. Thank you, Mr. Chairman. Thank you for holding this discussion today. I thank our ranking member for pushing hard to get it. I want to thank both of our witnesses.

Mr. Trumka, my belief is the greatest problem America faces is the decline of middle-class incomes. It is harder to stay in the middle class, harder to gain the middle class. I know of almost no one who has done more to try to reverse that trend than you, and thank you for your good work across the board.

Mr. Donohue, thank you for your strong advocacy and leadership. We have worked together on many issues, immigration above all, but also export-import infrastructure, and, most important, you are from St. Therese's Parish in Brooklyn. So, it is good to have you both here.

Well, look. We know the administration, when they try to sell me on TPP, it is almost the geopolitics that prevails over the economics, that we want to keep these countries in our orb rather than China's orb. If there is an economic web between them and China and not one between us and them, it is hard to do that. I agree with that. I agree with that goal.

With that said, though, if that is one of the main goals of TPP, to lure countries away from China's influence, it makes perfect sense, as part of the overall effort within TPP or alongside TPP, to deal with China head-on to show them that this is not business as usual. China is our most rapacious trading partner. None of the other countries in TPP do what China does, which is, not only do they manipulate their currency, which has cost us millions of jobs and trillions of dollars of wealth unfairly flowing from us to them, they steal our intellectual property. That has been documented over and over again.

And probably worst of all, when we have a good product, they do not let us in. We are at a new phase. We are doing high-end manufacturing, high-tech stuff. That is our hope and our future. We have already had the competition with China on furniture, toys, and clothing, sort of low-end stuff.

But if they start stealing our intellectual property in these areas, and then they keep us out or they force us to join joint ventures that are 51-percent Chinese government-owned and take all that information to build their own industries from their protected market and then compete with us, I do not know of anything that is more frightening to me. That will constrain the thing that I believe is so important, which is to get middle-class income going again like it was in the grand era of America from 1950 to about 2000.

So I think we can do two things, and I know what China does. Let me say, small companies, big companies—I had a small company in upstate New York; they needed a material from China, rare earth, 500 jobs. The Chinese told them, if you want those rare earths, you have to make your product in China.

The guy said to me, I know that is against WTO, but I cannot spend 5 years not having the goods and going to court through the long WTO process. Then I spoke to the Business Roundtable—I

guess just about every one of them is one of your members—and I told them that I thought China does not play fair and it is hurting our big companies. That is why we need currency legislation. We need to do more against China alongside, within, TPA.

The position of the Business Roundtable is against that. That is six, six of the major CEOs, all of whom you know, Mr. Donohue, and we all know, who came to me and said, keep doing it. We cannot say anything, because China retaliates against us if we say a thing. We need that big market. I appreciate that.

If I were CEO of one of these companies, I might do the same thing. But they said, you keep it up. So my goal here is to do something about China, the most rapacious of our trading partners.

Frankly, I am disappointed. I was very disappointed in the efforts of President Bush, and I am disappointed in the efforts of President Obama. I have dealt with five Treasury Secretaries on this issue of currency, in particular from Snowe on, and none of them has done anything.

So this mark-up is a unique opportunity to stand, to do something about the rapaciousness of China trade. It is the one point in time throughout this TPP process where Congress will have the opportunity to show, to China and the world, that it is not business as usual, because they are just killing us. They are just taking everything from us, and not in a fair way, in a WTO non-compliant way. They just thumb their nose and say, take us to WTO.

So I say to my colleagues, now is the time, if there ever was one. If not now, when? We have been trying for a long time. This is a unique opportunity to do something about China. Some of us are against TPA, other people are for it.

But we can all agree—we had 60 people, as Mr. Trumka mentioned, sign a letter saying we ought to do something as part of this process with China, and I hope we will. I hope we will. We cannot have weak tea. Anything that is just discretionary, that just says, well, the administration could do something against China if they wanted to—I have been through the wars on this one.

I have tried every administration. I have spent hours with every Treasury Secretary, and they never will say China is a currency manipulator because the geopolitical forces are too strong the other way. So, unless we have something stronger than just giving to any administration, not just this one, more tools, it is not going to work. So I hope we will do something on currency, and I know you feel that way.

So my quick questions to each: Mr. Trumka, how do you feel about currency manipulation as part of this; and, Mr. Donohue, not on this particular bill, which I know you are strongly for, but do you believe we should be doing something on currency manipulation, that it is a problem here for our country, China's currency manipulation?

Mr. TRUMKA. EPI says that currency manipulation alone costs this country 5.8 million jobs. If we eliminate currency manipulation, we have a chance to gain almost 6 million jobs. We strongly support that and think it needs to be part of the agreement.

I would also say, though, Senator Schumer, that some of our partners in TPP have been identified as currency manipulators.

Malaysia, Japan, and Singapore have been identified as currency manipulators as well.

Senator SCHUMER. I know. My bill just applies to China, though. Mr. Donohue?

Mr. DONOHUE. Senator, we have debated many subjects, but as we know, the China card, so to speak, is an issue that we will be dealing with for many years. It is complicated by serious problems in China as well, economic problems.

My view about this bill is that there is a very serious attention to currency, as there should be, and it is at a point where I would encourage moving ahead without major amendments. In terms of dealing with currency outside the bill, there are a lot of things here that are important.

Mr. Trumka said Japan is a currency manipulator. Well, they sure were back then, but they have not been for a long time. People would accuse the United States of currency manipulation when we were dealing with the crises of the recent years, when we were handling and managing our interest rates and other factors that came out of the Fed.

The specific challenge that you raise about China is one that we will deal with for all of our lifetimes. I am very willing and very anxious to talk about other opportunities beyond this agreement to get the facts straight, to look for ways to apply more, I will not say aggressive, but more successful, pressure on these issues. I understand the point about the theft of intellectual property.

I would make a point that we are making a little progress, but surely not enough. I understand what happens when they decide to make a product and do not need us any longer. The China issue needs serious discussion. We would like to be a part of it. I do not think at this date and this time you can go beyond what we are talking about on currency in this bill.

Senator SCHUMER. Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you, Senator Schumer. I want to make it clear that I believe this is a serious issue.

Senator SCHUMER. I know you do.

The CHAIRMAN. I do not think it should be part of this agreement, which has been very, very fastidiously worked out. But I am willing to hold hearings and do appropriate work after we pass this bill, if we can get this passed with everybody's cooperation.

Senator SCHUMER. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Cantwell, you are next.

Senator CANTWELL. Thank you, Mr. Chairman.

I am always struck, when you two gentlemen are before the committee, that there are many things that you actually agree on. Workforce training and Ex-Im Bank seem to be two of those. Do I have that right?

Mr. DONOHUE. Yes.

Mr. TRUMKA. Yes.

Senator CANTWELL. So you are both supportive of apprentice programs for job training?

Mr. DONOHUE. We do not have enough of them. The private sector spends something in the area of \$60 billion a year on it. The public sector—and Rich and I have talked about this. There will have to be a bill for job training and Trade Adjustment Assistance

to follow all of these trade deals, but we really believe that has to be thought out more. We are doing old things in job training. We can do new things to train people for new industries, but we both agree we need to do those things in the private sector, and in the public sector.

Senator CANTWELL. Well good, because we are proposing some new things. But I definitely am a big supporter of TAA and do not think that we should be doing TPA or TPP without it. But, Mr. Donohue, could you please tell the Republican presidential candidates that they are wrong about the Ex-Im Bank?

Mr. DONOHUE. Well, thank you. Let me say, Senator, we do not do presidential politics. We do every other kind but——

Senator CANTWELL. All right. Do you think people who——

Mr. DONOHUE. Wait. Wait. We talk to people who are in the public world about presidential policies, and you are damn right we tell them.

Senator CANTWELL. That the Ex-Im Bank should be passed?

Mr. DONOHUE. I have told probably three of them myself, and we have a little plan to have a visit with some of these people in the normal course of business and point out what the bank means to this country and to American industry, and particularly the thousands and thousands of small companies.

Senator CANTWELL. Well, I just want to say, with my time, that I come from a big manufacturing State, and it has a lot of labor members in it, and it has a lot of people who support trade. In fact, probably 1 in 3 jobs are related to trade.

Mr. DONOHUE. At least.

Senator CANTWELL. So I support having more bilaterals, multilaterals, because a bunch have been done while we have been sitting around not having TPA. But at the same time, I believe that we have to have these tools that work together, like the Ex-Im Bank and like Trade Adjustment Assistance and investment in apprentice programs and the things that go along with this. So I just hope that we can get our colleagues here to understand that it is both, and I think you hold a lot of punch to make sure that we get these things done.

Otherwise, then it is only shareholders at the top level benefiting from these deals and not working people. I think that I would put up our manufacturing skills against anybody in the world.

Mr. DONOHUE. Best in the world.

Senator CANTWELL. And I also do not apologize for our country being a leader in aerospace manufacturing and making a great product that is worth hundreds of millions of dollars. When people talk about Boeing being a lot of the Ex-Im Bank, it is almost as if people want us to apologize that we do not make a lot of tchotchkes and ship them over to China for them to buy.

We are lucky we make a very expensive product with a lot of skilled workers, and we want people to buy those planes, so I just hope people will stop and realize for one second that aerospace manufacturing is a lot of jobs in the United States of America.

Mr. DONOHUE. It is a bad thing to make predictions, because then the people you want to work hard let up. The things that you have raised, the issues of job training and some of the related issues there—and we could talk about community colleges and all

of that—and the thing you raise on the bank are issues that we are pushing very hard, and I feel that we are going to get there.

Senator CANTWELL. Thank you.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Cantwell.

We are going to turn to Senator Stabenow next, then Senator Warner right after Senator Stabenow.

Senator STABENOW. Thank you very much, Mr. Chairman, and thank you for the hearing. Thank you to both of our witnesses.

I feel, when we are talking about trade, we always need to start by saying that we are in a global economy, we know we are going to trade, so this is really about whether we are exporting our products or our jobs. It is a question of policy.

So we either have something that means we strengthen the middle class and it is a race to the top and we bring other countries with us, workers with us, or it is a race to the bottom. I will never forget sitting in Greenville, MI with a company that was making refrigerators a number of years ago when we were trying all kinds of ways to keep them in western Michigan.

Finally, they turned to us and said, you cannot compete with a buck fifty-seven an hour in wages, sorry. I mean, this cannot be a race down to that; this has to be a race up. So fundamentally, when we are talking about fast-track, let us talk about fast-tracking the middle class so that we can make it a race up.

One of those issues is very much currency manipulation. I know my colleague, Senator Schumer, has talked about this, others are talking about this as well. Senator Graham and I authored a letter with 60 members of the U.S. Senate. That is a pretty magic number, 60 members, who said that we wanted trade agreements to include enforceable currency language. It needs to be in TPA; it needs to be in TPP.

But I am wondering, Mr. Trumka, if you could talk—I know you have talked about currency, and the importance of enforcing it, but talk more about what this means in terms of jobs, because, from the numbers I have seen, we have lost millions of jobs because we have not enforced against China, or back when Japan was doing it, and they could do it again. So, it seems to me that is a very important part of enforcement.

Mr. TRUMKA. Absolutely. EPI did a study, and it estimates that correcting currency manipulation would create 5.8 million jobs in this country. That is almost 6 million jobs with currency manipulation being corrected. If one of the reasons you want to vote for TPP is because you want the U.S. to be a world leader, well, China is excluded from this agreement. China is a leader in that area, and will continue to lead with currency manipulation, and we do nothing about it.

TPP will not change the rules for currency manipulation between us and those trading partners or China and those trading partners. It is going to have a dramatic effect and cause a continual drain of jobs. Everything that you gain in this agreement by reducing tariffs and other things can be obviated overnight by people manipulating their currency.

I want to say this, Tom. I want to put your mind to rest, because I do not like you to worry. The actions of the Federal Reserve do

not constitute currency manipulation, according to the IMF test, so you do not have to worry about that, and that canard can be put to sleep for a little while.

Mr. DONOHUE. Rich, what I said, to be specific, is that others would accuse us, because of the use of the Fed to support us during the crisis, of manipulating currency.

Mr. TRUMKA. But you agree it is not currency manipulation.

Mr. DONOHUE. I agree that it is not in standard terms, and people recently have come out and tried to agree within the international organizations that going ahead and dealing with interest rates that way would not be manipulation, and they did it because all of Europe has now begun to do that to try to save their own economy.

Senator STABENOW. I think the debate really is, again, foreign currency issues versus domestic. We have economists from the right and the left who have said, well, it has been done here with the Fed. It is not what we are talking about when we are saying "currency manipulation."

I can just say, as we approach not just TPA, but after this TPP, the ability to open up with Japan, which right now is closed—I grew up with a father who had a car dealership, and my grandpa. They could not put a car dealership in Japan. They could not put cars in Japan from the United States, cars made in Michigan, in Japan right now. So we are trying to open that up.

But one of the great concerns I have is that we see Japanese automakers who have made their whole profit in the past based on currency manipulation. Now, let us compete fair and square. That is what I am very concerned about as we move forward in all these trade agreements.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator, your time is up.

Senator WARNER?

Senator WARNER. Thank you, Mr. Chairman.

Gentlemen, it is great to see both of you again. I guess I want to make a couple of points. One, I do fear at times that the analogies back to NAFTA—thank goodness we are in a different world at this point. America is much more competitive on manufacturing. American energy costs, because of things that you again both have supported, like Keystone and others, make us more competitive.

I think having a trade agreement strengthens our hands in terms of attracting jobs. One of the things that Senator Schumer and Senator Stabenow mentioned was currency manipulation, and I think it needs to be addressed.

The curious thing is, on currency manipulation, at least in the way I read Senator Schumer's bill, again, this will be a prospective tool. But Japan would not be in violation right now on currency manipulation. There is even a question of whether China would with its current actions.

Now, should we add more tools to our tool kit going forward, as a country that has lost money against companies in China, which has manipulated currency? Absolutely. Which has stolen our intellectual property? Absolutely. But the notion of doing nothing right now and continuing the status quo would be a disaster for America vis-à-vis China and vis-à-vis the region.

I would point out to my colleagues, and I wish Senator Schumer were still here, because most of his argument, until he got to currency, was actually, you could argue, in favor of TPA and TPP, because clearly America's position has weakened, and it seems to be retreating.

I would point out the *New York Times* article Saturday that points out the fact that we as a Congress have not taken up the IMF reforms, that we as a Congress have not ended up doing Export-Import Bank, that the Chinese have started to create a brand-new financial institution that is focused on Asia but ultimately could contest America in terms of the dollar as the reserve currency. These are things that, if we want to truly protect American jobs, we ought to be worried about.

So what do we do? Well, there is 40 percent of the world we are talking about here. China is not part of TPP. Who is going to set the framework for that region? I believe it ought to be American-led, and I think the work of the chairman and the ranking member, both in terms of the added transparency, added-on intellectual property rights—and I get the fact that the standards are not as strong on environment and labor as you would like, but at least they are standards, and I believe they are standards that can be enforced, which has not been the case in the past.

If we take these 11 nations and combine them in what I hope would be an American-led trading entity, this will give us an ability to actually increase our leverage vis-à-vis China, which, long-term, I believe we have to watch on every count, in terms of intellectual property theft, in terms of trade advantage, in terms of currency.

But let us not miss the opportunity for America to once again reassert its national and international leadership in trade, and in a way that I believe will actually increase jobs, increase job opportunities. My fear is that re-fighting the battles of the 1990s in 2015 is not the format we ought to be looking at.

Let me just close with one question for Mr. Donohue, although, Rich, you can come back at me as well.

Mr. TRUMKA. I would like that.

Senator WARNER. All right. ISDS. We have folks, members of the Senate, who are saying this could open up a whole new can of worms. Ambassador Froman has said repeatedly that it does not, that there are prudential exceptions in the ISDS language as put forward. This is a tool that has not been used a lot in the past. There is some question that it is being ramped up and potentially could undermine our labor, environmental, and other laws.

Do you want to make a comment on that, Mr. Donohue? And then, obviously, Mr. Trumka gets the last word.

Mr. DONOHUE. Senator, it is an issue that cannot stand the argument. I mean, it is so much stronger than the argument when you look at it. There are 3,000 trade agreements that have these provisions. We have never lost—never lost—one of these issues. They have no authority to impede on Federal law.

If we ever lost a negotiation, it would be the case that somebody would have to pay them money. But it has been in trade agreements. It provides a rational way to address issues. The only reason anyone would bring this up as a reason not to do what we are

about to do here is because they did not want to do it. This argument does not carry water.

I think it is very important to understand something. I respect people—Rich and I disagree 80 percent of the time, but we get along pretty well, and I respect his positions. But what is going on here is that the people who do not want to do the trade bills, under the current circumstance, would like to stop this bill, and it is the only way they could do it.

I think to leave those trade bills on the side of the road, to deny, as the Senator from Michigan said, the opportunity to create lots more serious jobs in manufacturing and to sell to that 95 percent of the people around the world who want to buy our stuff, would be a serious mistake. I respect Rich's really strong views here, but I am telling you, he is going to have a hell of a lot more members if we do these deals than he is if we do not.

The CHAIRMAN. All right. Senator, your time is up.

Mr. TRUMKA. May I respond, Mr. Chairman?

The CHAIRMAN. Sure. Of course.

Mr. TRUMKA. First of all, Senator, this is not, again, an issue about doing nothing or having TPP. This is about making TPP worthy of every American, and not just Tom's members, because they are going to do really fine. No matter what, they are going to do fine, but it is everybody down below who is not.

When you say, oh, these are some standards and they are better than no standards, we were told by the USTR general counsel that murdering a trade unionist does not violate these standards, that perpetuating violence against a trade unionist does not violate these agreements. Excuse me. Excuse me if I am not willing to accept that standard, because I think the country can do better.

With regard to ISDS, look, this is a special privilege for companies. No individual gets access to ISDS. Tom, we have not lost a case yet. We won a couple by technicalities that we should have lost.

There was just a case in Nova Scotia 2 weeks ago, a stone quarry. They wanted to expand a stone quarry, and all around it was an environmentally sensitive area. They denied the permit to expand the stone quarry. The ISDS panel said, "You are entitled to damages." They are going to collect because they did not get an extension of their boundaries into a sensitive environmental area.

This will affect food safety, it will affect the environment. It affects trade unionists, I can tell you that. This is a secret tribunal that you cannot control, because, once you give them instructions, once that panel is in place, they have the absolute power to do what they want to do, and they have interpreted the language that you have given them—fair and reasonable economy—beyond any stretch of the imagination.

So, Senator, we can do a lot better, and American workers deserve a lot better, than what we are getting with TPP or with this version of fast-track.

The CHAIRMAN. Senator Casey?

Senator CASEY. Thank you, Mr. Chairman. I appreciate the hearing.

I thank Mr. Donohue and Mr. Trumka for being here. I especially want to note Mr. Trumka's Pennsylvania roots. He is using that Villanova law degree today, right?

I am grateful for the opportunity, because it is important that we debate this, even an issue that tends to divide the country and even divides both political parties between and among themselves at times.

My concern here, with both Trade Promotion Authority and TPP, the trade deal itself, is the same concern I had about NAFTA and every other agreement since then: what is the impact not just broadly on Pennsylvania, that is my first priority, but in particular, what does it mean for workers and wages? Unless it can meet the test that I set forth with regard to workers and wages, it is very difficult for me to support either Trade Promotion Authority or the trade deal itself.

Let me focus, first, on wages. I would argue, and in a very similar way to what Senator Schumer said about the middle class, that our central challenge as a country, at least our central domestic challenge, is, how do we solve this wage problem?

There was a recent report by the Economic Policy Institute which very graphically, and in a very alarming manner, set forth the correlation between wages and productivity—post-World War II, basically 1948 to 1973, almost perfect alignment. So if productivity was up as it was in those years 97 percent, wages went up 91 percent. That is the way it ought to work.

Since 1973, for a whole variety of reasons, not simply because of trade obviously, but certainly trade, I believe, is a substantial factor, we have in the United States of America productivity up 74 percent in those 40 years—1973 to 2013—with wages up 9—not 91—but 9 percent. Neither political party has come up with an answer to that central challenge.

Part of this debate, I think, or I should say part of the resolution of that problem, is what we do on trade, though it is not the only part of the solution. So we see now that a recent paper by economists at the University of Pennsylvania, as well as other universities, found that when workers are displaced by trade and they switch jobs, they suffer real wage losses of between 12 and 17 percent.

So I guess, Mr. Trumka, I would ask you—and some of this you set forth in your testimony—what is the best approach in terms of using our trade policy to address this wage problem or lack of wage growth?

Mr. TRUMKA. Well, first of all, you have to get it right on trade authority, the fast-track authority. I have laid out a series of things that would make it right so that Congress has more control and can actually certify when they believe that the objectives have been met.

Then, when you look at it, we have laid out a whole chapter. In fact, we worked with the European Union in anticipation of TTIP and laid out an entire chapter about how to make labor standards better so that we do not destroy their standards in Europe or our standards here, and I would love to submit that to you.

Senator CASEY. Thanks very much.

I want to say for the record as well, you say, in the section of your testimony at the very end about labor, and I am quoting here, "When you analyze the so-called May 10th provisions and how they have fallen short"—I think very few Americans, very, very few, a very tiny percentage of Americans, know the story about what has happened in some of these countries to trade unionists. The number of murders in Colombia, you said, was 100 and—

Mr. TRUMKA. Five.

Senator CASEY. A hundred and five. That is evidence enough. But even if it does not rise to the level of the gravity of a murder, just the intimidation and the threats and the failure to have any kind of enforcement mechanism in place, what are we doing about that? I think virtually nothing, as a country. So that is where I think your proposal, as it relates to giving Congress more of a role in terms of weighing in on who these trading partners are and who gets into our agreements, is a pretty reasonable and appropriate approach.

I know I am over time. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Menendez is next.

Senator MENENDEZ. Thank you, Mr. Chairman.

Let me say at the outset, I think we all have the same goal in mind, and that is jobs for our families and markets for our businesses that together build a stronger American economy. Trade may offer some new opportunities, but it also brings its challenges.

We talk about breaking barriers to trade, or ending barriers to trade, but I have a broader view of what those barriers are than just simply tariffs and regulations. For example, lower labor and environmental standards abroad make foreign workers with fewer skills less expensive than highly skilled American workers with greater expectations for higher living standards. I think the failure to protect our intellectual property in other countries leads to cuts in the value of our investments and the value of our products in international markets.

So, at the end of the day, for me, I have not just had a knee-jerk reaction against all trade bills. I have voted for some when I thought the balance was right. But for me, trade bills have been about protecting and providing opportunities for my State's workers and our businesses, in a world where competition is not always fair and it is not always open. It seems to me that we should judge the standards we set for any trade deal and the deals themselves on how well they deliver on those priorities.

So with that, let me ask you, President Trumka—I heard your comments in the office when I was getting ready to come, and I know you are very passionate about workers' rights. I think a barrier to trade is also the inability to enforce the provisions of our trade agreements, which I think have sadly not gone in the direction that I would like to see. Those include the provisions of trade agreements as they relate to negotiated labor standards.

So can you talk a little bit—you started with my colleague, Senator Casey—about Colombia, about the lack of enforcement mechanisms, and would you support an amendment that would mandate that all countries must meet negotiated labor standards prior to

any new trade deal going into effect with them, in other words, to verify before we trust countries with lax labor standards?

Mr. TRUMKA. I would. The other thing I would suggest right off the bat is that the wage standard that is talked about in most of the trade agreements, including TPP, is the minimum wage. It does not talk about anything beyond the minimum wage. Vietnam's happens to be 65 cents an hour.

The lack of enforcement is one of the major problems of labor standards and environmental standards. The May 10th agreement was a step in the right direction, but it does not get us there. The truth is that the Guatemalan situation, where we are dealing with gross violations of the ILO standards, has been going on for 6 years now with no end in sight.

Colombia—we have had 105 trade unionists killed since the labor action plan was put into place, and there is nothing that they can do about it. That is why, Senator, getting the rules right now is so important, because no matter how great the enforcement, if the rules that you have are inadequate, no matter how great the enforcement, they do not get you there.

The rules or the standards that are being told to us that are in TPP are inadequate to protect American workers and discourage American manufacturers and employers from sending jobs offshore. So we are all for enforcement, and I am sure Tom would agree that we want to eliminate every one of the cheaters that we can, but if you do not have the standards to enforce, you cannot get the job done.

Senator MENENDEZ. Well, I agree you need the right standards. But even when we have had standards that some of us might agree to, we have not had the enforcement mechanisms that actually pursue it.

Mr. TRUMKA. That is correct. That is absolutely right.

Senator MENENDEZ. Let me ask you this, President Donohue. I have long advocated for strong intellectual property protections in any trade deal. Does the Chamber believe that protecting innovation through strong IP protections is an important priority in any trade deal?

Mr. DONOHUE. The Chamber, Senator, has a major, broad system, both international and domestic, for dealing with counterfeiting and the theft of intellectual property. We have put a great deal of money in it. We work with individual countries, and we work with groups of countries. We have had very significant improvement in about 70 percent of the countries, which are giving us a much better protection of intellectual property.

We are also doing it at home, because you can lose your intellectual property here in the United States faster than you can get ready to go to work. The points made about China and others, there are still issues where there is a sophisticated way of going after your intellectual property.

Senator MENENDEZ. Let me ask you one final question, if I may, Mr. Chairman. The current U.S. standard is 12 years of patent protection for biologics. This is an incredibly important industry in my home State of New Jersey, where we are the medicine cabinet to the world.

Do you think that our trade deals should protect that standard?

Mr. DONOHUE. I do not exactly know the answer to that, but I will tell you something. I know more about the protection of biologics and patent deals on pharmaceuticals just in my own family. I am dealing with that issue now. I want to do anything I can to protect America's ability to drive the innovation in biologics, pharmaceuticals, and other things that we are doing. You cannot catch up with me on that deal.

Senator MENENDEZ. I am glad to hear that. I know that you will have to run after me on that part, so I look forward to working with you on that issue.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator, your time is up. Let me just say that it was Senator Kennedy and myself who drove that 12-year data exclusivity, without which we would not have a biologic empire in this country. So you are speaking the truth, and I appreciate you raising the issue.

Senator Isakson?

Senator ISAKSON. Thank you, Mr. Chairman, Ranking Member Wyden. I appreciate the opportunity. I have learned a lot from listening to the other questions. I am one who favors doing business. I sold houses for 33 years of my life before I came to Congress. I never saw the perfect deal, but I made a lot of deals. We had a meeting of the minds. This is not a perfect deal, but the question I have in my mind is to make sure it is the best deal we can get to move forward for our country.

I give you this premise. Two years ago, Mike Enzi took a mission to India. It was called All of America's Jobs Have Gone to India. Do you remember that, Tom, when all the help desks were going to India? We went to meet with Mr. Murthy, the owner of Mphasis, which is now the largest trading company on the NASDAQ. He has an 80-acre campus in Bangalore, India, where he was doing back-room operations for U.S. hospitals and emergency rooms, help desks for corporations.

We asked him this question. We said, Mr. Murthy, all of America is so scared all of our jobs are going to India because of what you are doing with lower wages, more technology, things like that. What would you tell the American people? Why should we not fear India?

He said, "For a very simple reason. When I started my business, I drove an Indian car, I banked with the Bank of India, and I drank an Indian soft drink. Today I drink Coca-Cola, I bank with Citibank, and I drive a Ford." The point being, when you do business with people, you end up doing business both ways. American products were then being sold in India.

Today, interestingly enough, 12 years later, the help desks have come back to the midwestern United States and left India because the standards have grown in India for wages, labor laws, and things like that, where they are on a comparable playing field with the United States.

So I believe doing business is good for America. I respect the middle class. Mr. Trumka, I was in Savannah, GA yesterday, where we have a new plant that has come in. Caterpillar has come in to Georgia from Japan, where they are now building the tractors they were building in Japan. They are building them in Georgia

and shipping them back to Japan out of the Port of Savannah. That is good for manufacturing jobs in Georgia. Those are the middle-class jobs. It is very important that we promote jobs and promote trade, because 1.2 million Georgians' jobs are directly dependent on trade. We are now the eighth largest State in the Union. We have 10,400,000 people.

I want to make sure we continue to trade and have a vibrant trade policy, not one that looks the other way at currency manipulation, not one that looks the other way at labor standards, but one that is realistic enough to continue to do business. Because, if you do business with people, you have a better chance to influence them than if you do not do business with them. Would you agree with that, Tom?

Mr. DONOHUE. The history of the U.S. economy, from our very beginning, was doing business with people around the world to bring us products we did not have, innovations we had not yet achieved. It has shifted to where we are shifting products and innovations all around the world, which has given us, over time, more influence around the world than we otherwise would have had.

We could sit here for a week and talk about the value of America's export of ideas and values and products. I think the argument on this particular bill here should come down to finally, after all these years, putting us in a place to do more of what we have done for years, to sell American products, to move American ideas and values. I hope we do not screw it up looking for the perfect, or seeking to get rid of this bill because we really do not want to do the trade bills.

Senator ISAKSON. Mr. Trumka, I really have a lot of respect for what you do and the people whom you represent. One of the things you talked about that meant a lot to me and that I believe in seriously is workers' rights, and making sure people are treated right, and not doing business with people who abuse other people.

But you have a better way of exporting your values overseas if you are doing business with somebody rather than if you are folding your arms and not doing it. One example: Swaziland. Swaziland is in Africa. I do a lot of work in Africa with AGOA, the African Growth and Opportunity Act, which I think this week we are going to hopefully extend for 10 years.

In that, Swaziland was a participant until we learned they were beating up and imprisoning their workers for not working hard enough or long enough or being productive enough, and we suspended them on a temporary basis. They came back to the table. They started treating their workers right, because doing business with America was more important than abusing their workers.

So my point is, and I would like you to respond to this, do we not have better leverage by having influence, by doing business with people, to encourage them to do better in terms of the way they treat their folks, or do we have to insist on it being a part of the deal?

Mr. TRUMKA. First of all, it is important to do business with people, but the rules are important because the rules and the trade agreements that you have been talking about have been resulting in a \$500-billion deficit for this country each and every year, trillions and trillions of dollars flowing out and not coming in. That

is why it is important to have the rules. It is also important to have the rules whenever you engage them to have the ability to help correct those things.

Now, if they are going to agree to the ILO core standards—and, quite frankly, if we are willing to agree to the ILO core standards, because we have not been willing to do that yet—then you have a chance to really influence them and improve their conduct.

But if all you do is say, all you have to do is comply with your minimum wage and then, when they do not even comply with their minimum wage, we do not have the ability to influence or change it, it goes the opposite way, Senator.

They look at the United States as perpetuating that bad treatment, not correcting it. We are better than that, and we can do better than that if we write the right rules and we have an agreement that we can enforce. Then we can be a positive force for good around the world. But this trade agreement will not do that.

Senator ISAKSON. Mr. Chairman, let the record show I gave both sides a chance to make their case. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Brown, you are up.

Senator BROWN. Thank you, Mr. Chairman. Senator Wyden, thank you. Mr. Trumka, Mr. Donohue, good to see you both.

Mr. Trumka, a lot of people accuse you—and I might add, accuse me—of being against trade, of being protectionist, of being stuck in the last century, or even the one before the last century. Did AFL oppose the idea of TPP from the beginning?

Mr. TRUMKA. Absolutely not. Quite the contrary. We engaged almost 5 years ago. We have submitted dozens and dozens, a couple of hundred, suggested language changes to make the agreement better. We did, and still want, to be able to support TPP, but in its current standards it falls far short of what is necessary.

Senator BROWN. So you can see from the amendments that a number of us will offer—there will be a lot of them, Mr. Chairman, as you may have heard by now, on Thursday, or Wednesday, I guess—you can see that this trade agreement, that TPA and TPP, could be improved significantly. Would you name two or three ideas that you have tried to constructively engage USTR or the staff of this committee in to give me just some ideas of where we could do much better than we are doing on this?

Mr. TRUMKA. Well, with regard to TPA, first of all, you need to ensure that Congress approves trade agreement partners before their negotiations begin, that you create objectives that are specific to each individual trading partner, and that Congress and not the executive branch determines whether congressional trade objectives have been met.

We have submitted a whole chapter on labor to make it better, we have submitted a chapter on currency, we have submitted a chapter on ISDS, and we have submitted a chapter on the environment that does not include procurement rules, Buy America, and a number of other things that we think could make TPP not only a good agreement, but one worthy of the American people.

Senator BROWN. And little of this has been accepted?

Mr. TRUMKA. Well, in fact, less than three or four changes have even been accepted by our Trade Representative to put them across the table.

Senator BROWN. I heard you said that in your testimony.

Mr. TRUMKA. They have not been included in our proposal, no.

Senator BROWN. Well, like you, I have tried to engage in the process, both at a member and a staff level with the U.S. Trade Representative. I have pushed for currency disciplines, I have pushed for better enforcement of labor standards, for improved state-owned enterprise language, for modified investor-state provisions, literally more than a dozen items. If I were anti-trade, I, like you, would not take the time, I would not bother, I would not get my staff to put the time in it takes in this effort.

USTR claims they have had 51 meetings. Ambassador Froman sat where you are sitting late last week. They claim they have had 51 meetings with me and my staff. That may be true, I do not know. We have asked them, though, for the list of meetings, and, true to form, they have not responded, as they so often do not, to members of this committee, let alone the rest of the House and Senate.

When they do meet with me, it is not to exchange ideas or to rethink how we do things, it is to tell me why I am wrong, that my concerns are not valid. The administration has taken this approach that you are either with us or against us on trade—nothing in between. I have heard your testimony through all of this about how there is TPP, there is present law, and there is something in between that is much more desirable that we could get real agreement on.

I just wonder why, on trade agreements, when we have seen what kinds of permanence they bring and how they affect all Americans, why there is so much hostility to changing the direction of trade policy. The American public, as you point out, is pretty cynical about this and pretty skeptical about Congress's learning nothing, where this TPA, with some minor exceptions, is not much different from the TPA of 10 years ago. It has been 13 years since Congress passed fast-track, yet the bill we are considering today is fundamentally the same, again, with small, minor, relatively insignificant exceptions.

I am going to continue my effort tomorrow to improve U.S. trade policy. I think we have a real opportunity in this amendment process. My question then for you, Mr. Trumka, the last question, is, can you comment in sort of a general, but substantive, way on what is at stake if we do not improve U.S. trade policy? What happens to our country?

I have heard Mr. Donohue's vision, that the world falls apart, more or less, if we do not engage and China takes over the world and maybe colonizes the United States. I am not sure where he was going with that. But would you give us your view on what actually happens if we do not do this as written today?

Mr. TRUMKA. TPP is 40 percent of the world GDP, and TTIP will be another 20 percent. That means those two agreements will cover 60 percent of the world's economy. If it is not done right, you will see the continuation of wage stagnation, you will see the continu-

ation of a growth in inequality in this country, you will see the middle class continue to shrink and get decimated.

You will also see, eventually, the weakening of our economy, because you cannot continually have a massive trade deficit every year that sucks jobs out of the country and not remedy that in some way or another. So one way to remedy it is, you stop buying other products, I guess. That would create a tremendous hardship on our economy and on the American worker, something that none of us, I think, wants to see.

Senator BROWN. Thank you.

I heard somebody remark around the table—and I will close with this, Mr. Chairman; it is not a question, just a quick statement—that \$1 billion in services trade can translate into 7,000 jobs. That is great. It is a little bit, though, like saying the Cleveland Indians scored six runs yesterday. Yes, well, but the Tigers scored eight.

So, when you talk about \$1 billion in services, and that is 7,000 jobs, what is it when the surplus, when we are buying so much more than we are selling—China, \$300 billion a year—how many jobs is that? I mean, President Bush the first said 13,000 jobs for every \$1 billion in trade deficit, so it is a pretty significant job loss that we continue to add to with one trade agreement after another. I will stop there, Mr. Chairman, and thank you for your indulgence.

The CHAIRMAN. All right.

Senator Wyden would like to make a comment, then we are going to turn to Senator Grassley.

Senator WYDEN. Thank you very much, Mr. Chairman. I passed at the beginning because I wanted all of my Democratic colleagues to have a chance to speak first. While Senator Brown is here, I just want to be clear that I think he has made a very valid point that the playbook on international trade has to change. Trade agreements in 2015 have to be very different than trade agreements from the 1990s. The President, to his credit, said in the State of the Union address that past agreements have not lived up to the hype.

So we have to make sure our trade policies are not part of a time warp. All you have to do is recognize that 25 years ago nobody had an iPhone, nobody was texting. China was not an economic powerhouse. It is a different world.

I just want to tick off—and do this briefly, because I did not ask any questions earlier, while my colleagues are still here—what is different with respect to the legislation that will be considered this week and, in effect, the old playbook.

The first area in which it is different, and I especially appreciate Senator Brown focusing on this, is on trade enforcement. Trade enforcement has to focus on protecting American jobs, high-skill American jobs that pay good wages. People say, why in the world would you be talking about a new trade agreement if you are not enforcing the laws on the books? You see that reflected in this legislation.

For example, it includes the bipartisan ENFORCE Act, Senator Brown, colleagues on the other side, Senator Portman and others, to go after tax cheats. It includes an upgrade on 301, something that I think our friends in Labor have been absolutely right about.

It includes a measure to have warning bells go off earlier when our industries and our jobs are threatened, and to go off more loudly. That is number one.

Number two, with this legislation, the United States is going to aim higher in trade deals. In the 1990s, labor and environment were basically an after-thought. If you had said back in the 1990s you were going to have enforceable labor and environmental issues, people just laughed at you. That is not the case any longer. They are going to be enforceable. They are going to be imbedded in the text, and, for the first time, there will be a new provision to focus on human rights.

Third, I touched on the secrecy question. I could tell you, having been a young Congressman in those days, the public and lots of people in the Congress were just in the dark about what was being debated with respect to trade. Those days are over. The American people are basically going to be able to sit at a town hall meeting for up to 4 months with the actual text of the agreement so they can ask questions of their member of Congress.

Fourth, the legislation goes further than any trade promotion bill to protect American sovereignty. It guarantees that trade deals cannot change U.S. law without congressional action. It guarantees that foreign companies will have no more rights in international tribunals than in American courts today, no back door to let anybody skirt our laws.

Fifth, this legislation—and Chairman Hatch knows about this, because we had a lot of spirited conversations about it—protects Congress's ability to put the brakes on a bad deal. This is not a green light for TPP or anything else, but it is an opportunity for Congress to stop a bad deal in its tracks.

The last point I will make responds to why I have been in this from the beginning. I think Senator Brown, Mr. Trumka, and others are spot-on in talking about the middle class and how important it is that they get a better break, because wages for them have been stagnant for a lot of years.

Here is the way I am looking at the world, and it was really kind of the defining judgment I made in getting into this. In the developing world, the middle class is going to double between now and 2025. That means there are going to be a billion middle-class consumers in the developing world, and I want them to buy our products. I want them to buy our computers, and our eggs, and our wine, and our cars.

In Oregon, they are buying our helicopters and our bikes. That is the chance for the American people to get high-skill, high-wage jobs. Let us fight here for the Oregon brand and the American brand. I think everybody knows we are going to have a spirited debate. We have seen some of it today, and the dust-bowl level will go up again tomorrow.

But I want to tell Mr. Trumka and Mr. Donohue that I am going to work very closely with both of you in the days ahead. I am committed to doing this in a way that works for both our middle-class families and our businesses. We can get this right. Trade done right will be a winner for American families.

Mr. Chairman, I want to thank you for the opportunity to wrap this up and look forward to working with you and our colleagues tomorrow.

The CHAIRMAN. Well, thank you, Senator Wyden.

Senator Grassley, you are going to be our last questioner. At least, I expect you to be the last questioner.

Senator GRASSLEY. Well, since I was absent, I do not want the witnesses, or anybody else to think I do not have an interest in this trade issue. I had a hearing on juvenile justice reform in the Judiciary Committee that I chair, and I just got done with that. But I thought I ought to come by and speak my support for moving ahead on trade agreements.

To me, it is common sense, when 95 percent of the people live outside the United States, and we are an exporting Nation, that we should do whatever we can do to get our products into other countries, and particularly countries that have higher trade barriers than what we have, and most countries do. Leveling the playing field—and that is a phrase we use around this Hill so many times it gets over-used—for our exports creates jobs, and those jobs pay 15 percent above the national average, so it seems to me that is something we need to pursue.

Common sense being that 95 percent of the people are outside of the United States, then that 95 percent is where our market is. So I want to compliment the chairman and the ranking member for moving ahead on this package of bills we have, and particularly on giving the President the authority that he needs, and we have given it to Presidents on and off since World War II to do what they can to level the playing field for American exporters and the jobs that are connected with that.

I yield.

The CHAIRMAN. Thank you, Senator Grassley.

This morning, Congress received a letter signed by nearly 300 State and local chambers of commerce, manufacturing organizations, and farm bureaus urging “swift action to renew Trade Promotion Authority.” So, without objection, this letter will be entered into the record at this point.

[The letter appears in the appendix on p. 103.]

The CHAIRMAN. Now, let me just say, I want to thank my colleagues for their participation today. And, of course, I want to thank our two heavy-weight witnesses for joining us here. I have great respect for both of you and have known you for a long time.

I want everyone to know that I recognize that there are passionately held views on both sides of these issues and that these debates are not easy for anyone. Nobody has had a picnic here. You all know where I stand when it comes to trade. I want to convince everyone to support TPA. I wish we could report a TPA bill unanimously, but it is pretty clear we are not going to be able to do that.

Still, Senator Wyden and I have done our best to create both a product, and a process on this legislation, that is bipartisan. So far, I think we have really been successful, and I think most people would agree with that. This is important for our country. It is important for our industry in our country.

In the end, I think we will have members from both parties supporting our bill. I really want to personally thank Senator Wyden,

once again, for his help on this effort. It has been a very difficult one for him, as it has been for many of my colleagues on the Democratic side. Mr. Trumka, you have not helped him here today very much with your criticisms.

Mr. TRUMKA. Thank you, Mr. Chairman. I appreciate that. [Laughter.]

The CHAIRMAN. Well, I expect nothing less than that from you. I have known you a long time, and I have a lot of respect for you.

But Senator Wyden deserves a lot of credit here. I think it is very important that we move forward and that we let the committee function properly. I am looking forward to an even more lively discussion and debate tomorrow as we mark up this bill.

Let me just say that I have tremendous respect for both of you. Mr. Donohue, you have been around here a long time. You are no shrinking violet, I will tell you. You handle yourself very well, and you represent the business community about as well as anybody I have ever seen, and I have seen a lot of great business leaders.

Mr. Trumka, I think you represent the unions very well. You are a tough guy, you are a smart guy. Even though we disagree on this bill, I have been paying pretty strict attention to you too. This is basically your administration that is doing this. I am trying to help the President on this bill. I personally think they are right in pushing it the way they have, but I still have the obligation to just tell you how much I respect and appreciate you as well.

I look forward to—we are going to have to find some things we can work on together. We have in the past, but I think we have to find some things to work on together. I am going to count on you to help me to understand that, all right?

With that, let me just say that I have been really appreciative that you both have been willing to stay this long and to answer every question anybody has asked.

With that, we will recess until further notice. Thanks so much.

Mr. TRUMKA. Thank you, Mr. Chairman.

The CHAIRMAN. You bet. Thank you.

[Whereupon, at 12:10 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF THOMAS J. DONOHUE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, U.S. CHAMBER OF COMMERCE

April 21, 2015

Chairman Hatch, Ranking Member Wyden, and distinguished members of the committee, my name is Tom Donohue, and I am President and Chief Executive Officer of the U.S. Chamber of Commerce (Chamber). I am pleased to testify today on the importance of renewing Trade Promotion Authority (TPA). The Chamber is the world's largest business federation, representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

In the Chamber's view, reinvigorating economic growth and creating good jobs are the nation's top priorities. Approximately 17.4 million Americans are unemployed, underemployed, or have given up looking for work. Participation in the workforce stands at the lowest since 1978, reflecting a significant level of discouragement.

World trade must play a central role in reaching this job-creation goal. After all, outside our borders are markets that represent 80% of the world's purchasing power, 92% of its economic growth, and 95% of its consumers. The resulting opportunities are immense, and many Americans are already seizing them: One in four manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

Nearly 40 million American jobs depend on trade, as detailed on the coalition website www.TradeBenefitsAmerica.org. Consider the number of jobs that depend on trade just in the states represented by senators serving on this committee: Colorado (709,000), Delaware (123,000), Florida (2.4 million), Georgia (1.2 million), Idaho (195,000), Indiana (796,000), Iowa (448,000), Kansas (392,000), Maryland (790,000), Michigan (1.2 million), Nevada (350,000), New Jersey (1.2 million), New York (2.6 million), North Carolina (1.2 million), Ohio (1.5 million), Oregon (484,000), Pennsylvania (1.6 million), South Carolina (559,000), South Dakota (124,000), Texas (3 million), Utah (374,000), Virginia (1.1 million), Washington (915,000), and Wyoming (68,000).

Another excellent resource on the benefits of trade is www.TradeSupportsJobs.com, a website offering extensive information on U.S. exports by state and congressional district, with detailed data on manufactured goods and services exports, the direct jobs they support, and the markets for which they are bound.

A LEVEL PLAYING FIELD FOR TRADE

While the United States receives substantial benefits from trade, there is more than a grain of truth in the observation that the international playing field is unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but other countries continue to levy tariffs on U.S. exports that in some cases are quite high, and foreign governments have erected other kinds of barriers against U.S. goods and services.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. U.S. exporters face higher tariffs abroad than nearly all our trade competitors. The United States received a rank of 130th among 138 economies in terms of "tariffs faced" by its exports, according to the World Economic Forum's

Global Enabling Trade Report. That means U.S. exporters are often at a marked disadvantage to our competitors based in other countries. In addition, a thicket of non-tariff barriers adds to the burden exporters face.

No one wants to go into a basketball game down by a dozen points from the tip-off—but that is exactly what American exporters do every day. These barriers are particularly burdensome for America's small and medium-sized companies, approximately 300,000 of which are exporters. The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade.

BENEFITS OF U.S. TRADE AGREEMENTS

The good news is that America's trade agreements do a great job creating a level playing field—and tremendous commercial gains are the proof in the pudding. The U.S. Chamber of Commerce in February released *The Open Door of Trade: The Impressive Benefits of America's Free Trade Agreements*, a report which catalogues the success of these agreements and makes the case for swift renewal of TPA.

Following are some of the report's highlights:

- America's 20 trade agreement partners represent just 6% of the world's population but buy nearly half of U.S. exports. By tearing down foreign barriers to U.S. products, these agreements have a proven ability to make big markets even out of small economies.
- U.S. exports to new trade agreement partners have grown by an annual average of 18% in the five-year period following an agreement's entry-into-force.
- The increased trade facilitated by these trade agreements boosted U.S. output by more than \$300 billion and in turn supports an estimated 5.4 million U.S. jobs, according to an earlier study commissioned by the Chamber entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*.
- Trade-related jobs also tend to pay well: For instance, manufacturing jobs tied to exports pay wages that average 18% higher than those that are not.
- For those worried about the U.S. trade deficit, trade agreements are clearly the solution—not the problem. The United States has a trade surplus with its 20 trade agreement partners as a group. This includes sizeable trade surpluses in manufactured goods, services, and agricultural products.
- U.S. manufacturers' exports to trade agreement partners have topped \$650 billion in recent years, generating revenue of about \$55,000 for each American factory worker.
- U.S. agricultural exports to trade agreement partners increased by more than 130% in the past decade and today exceed \$56 billion.
- Topping \$700 billion last year, U.S. services exports are growing rapidly and support millions of high-wage jobs even though the potential for services industries to engage in international trade is almost untapped.
- Trade agreements sweep away trade barriers that are especially tough on the 300,000 small and medium-size companies that account for 98% of all U.S. exporters and one-third of goods exports.
- Imports play a critical role in the U.S. economy as well. Companies' imports of intermediate goods, raw materials, and capital goods account for more than 60% of all U.S. goods imports and help them maintain their global competitiveness.

TRADE PROMOTION AUTHORITY

To get more of these benefits, Congress must approve the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 ("TPA bill"), which will renew TPA. The U.S. Chamber strongly supports this bill and urges Congress to approve it swiftly.

TPA is a critical tool to help Americans sell their goods and services to the 95% of the world's customers living outside our borders. The United States has never entered into a major trade agreement without it. A simple form of TPA was first enacted in 1934, but the latest iteration lapsed in 2007.

TPA is premised on the commonsense notion that the executive and legislative branches of the federal government should work together on trade. The Constitution gives Congress authority to regulate international commerce, but it gives the president authority to negotiate with foreign governments.

TPA allows Congress to show leadership on trade policy by doing three important things: (1) It allows Congress to set negotiating objectives for new trade pacts; (2) it requires the executive branch to consult extensively with Congress during negotiations; and (3) it gives Congress the final say on any trade agreement in the form of an up-or-down vote. The result is a true partnership stretching the length of Pennsylvania Avenue.

While foreign governments may initiate negotiations with the United States without TPA in place, they have historically proven leery of making the difficult political choices associated with the final stages of negotiations in its absence. In this sense, TPA strengthens the hand of U.S. negotiators, helping them secure the best possible deal for U.S. workers, farmers and companies.

Without TPA, the United States is relegated to the sidelines as other nations negotiate trade agreements without us—putting American workers, farmers, and companies at a competitive disadvantage. According to the World Trade Organization (WTO), 398 bilateral or regional trade agreements are in force around the globe today, but the United States has agreements in place with just 20 countries. There are more than 100 trade agreements currently under negotiation among our trading partners.

The United States cannot afford to stand on the sidelines as foreign governments rewrite the rules of international trade and American companies are placed at a competitive disadvantage in market after market. If we do, American workers, farmers and companies will pay the price.

STRONG NEGOTIATING OBJECTIVES

From the U.S. business community's perspective, the negotiating objectives laid out in the TPA bill are balanced, ambitious, and well suited for attaining trade agreements that are commercially valuable. They reflect the evolution in U.S. trade agreements in recent years and push the envelope to include many of the best ideas in contemporary trade policy.

The TPA bill directs U.S. trade negotiators to seek high-standard and comprehensive agreements. Indeed, U.S. trade agreements must be comprehensive, avoiding exceptions or carveouts. Whenever one party in ongoing trade negotiations seeks to exclude a given commodity or sector from an agreement, other parties follow suit, limiting the agreement's reach and its benefits. This is not just a matter of tariff policy: The TPA bill admirably instructs U.S. negotiators to seek agreements that extend their rules to all industries. This sends a positive signal to other governments about the priority the United States ascribes to trade agreements based on high standards and comprehensive coverage.

The Chamber applauds the clear, concise objectives in the TPA bill that give our negotiators a mandate to achieve in our trade agreements the same effective protection and balance that are found in U.S. intellectual property law. It is devastating for American workers and companies to have their ideas and "know how" copied and stolen, or likewise to see our innovations shut out of overseas markets, because we either did not have a trade agreement with a key market in place or because that agreement lacked the strong protections we need. This bill strikes exactly the right balance.

The TPA bill's objectives on digital trade and cross-border data flows are another example of its modernized negotiating objectives. In today's global economy, companies often move data across borders as they create new products, enhance productivity, deter fraud, protect consumers and grow their business. This is particularly important for services, many of which were considered "non-tradable" before the advent of the Internet. Recent studies estimate that within ten years products and services reliant on cross-border data flows will add over \$1 trillion annually to the global economy, with the United States at the fore. To seize these benefits, U.S. trade agreements should prohibit restrictions on legitimate cross-border information flows and bar local infrastructure mandates relating to data storage.

The TPA bill also directs U.S. negotiators to seek rules in future trade agreements to ensure that private companies are not put at a disadvantage when they compete with state-owned enterprises (SOEs) and other national champions. U.S. negotiators

are instructed to guard against anti-competitive behavior by SOEs and ensure a level playing field. The Chamber applauds these objectives.

The TPA bill's negotiating objectives also direct U.S. negotiators to consider how goods are produced in the 21st century using global value chains. Today, the goods we buy are usually labeled "Imported" or "Made in the USA"—with no middle ground. However, companies often rely on global value chains that span national borders to hone their competitiveness. The United States is a principal beneficiary of these supply chains. Making customs and border procedures more efficient and enacting other trade facilitation reforms will remove sand from the gears of global value chains and enhance U.S. competitiveness.

The Chamber also supports the TPA bill's negotiating objective that parties to a trade agreement avoid manipulating exchange rates to gain an unfair competitive advantage. On this matter, the United States should continue to press economies to adopt market-determined exchange rate systems that reflect economic fundamentals, and there are several fora for such discussions. In recent years, the G-7 economies have affirmed that they will not target exchange rates to achieve domestic economic objectives. G-20 members have made similar commitments to avoid persistent exchange rate misalignments and refrain from competitive devaluations.

The notion that trade policy mechanisms can address monetary policy challenges elicits concern in many quarters. To cite one, it is not in the U.S. interest to enter into an international agreement that would handcuff U.S. monetary policy and limit the flexibility of the Federal Reserve to respond to economic circumstances. Amid these concerns, the Chamber believes the TPA bill's negotiating provision relating to currency reflects a careful and reasonable balance.

As noted, the TPA bill reflects many of the best ideas in contemporary trade policy. Negotiating objectives have been modernized to reflect our changing economy. The careful bipartisan compromise on labor and environmental issues included in the four most recent U.S. trade agreements is reflected in the TPA bill—with some enhancements—not least because it allowed those agreements to attract broad bipartisan support. There is nothing "fast" about the manner in which this bill was prepared, and it plainly reflects input from many quarters. Given the careful balance attained in many areas, the Chamber urges Members of Congress to forgo amendments and support this bill, which squarely reflects the U.S. national interest.

THE TRANS-PACIFIC PARTNERSHIP

And how should TPA be used? The first priority is the Trans-Pacific Partnership (TPP).

The booming Asia-Pacific region is a logical focus for America's trade negotiators. Over the last two decades, the region's middle class grew by 2 billion people, and its spending power is greater than ever. That number is expected to rise by another 1.2 billion by 2020. According to the International Monetary Fund, the world economy will grow by more than \$20 trillion over the next five years, and nearly half of that growth will be in Asia.

U.S. workers, farmers and businesses need access to those lucrative markets if they are to share in this dramatic growth. However, U.S. companies are falling behind in the Asia-Pacific. While U.S. exports to the Asia-Pacific market steadily increased from 2000 to 2010, America's share of the region's imports declined by about 43%, according to the think tank Third Way. In fact, excluding China, East Asia in 2014 purchased a smaller share of U.S. exports in 2014 than it did five years earlier, despite a 54% increase in total U.S. merchandise exports in that period.

One reason U.S. companies have lost market share in the Asia-Pacific region is that some countries maintain steep barriers against U.S. exports. A typical Southeast Asian country imposes tariffs that are five times higher than the U.S. average while its duties on agricultural products often soar into the triple digits. In addition, a web of nontariff and regulatory barriers block market access in many countries.

Trade agreements are crafted to overcome these barriers. However, Asia-Pacific nations are clinching trade deals among themselves that threaten to leave the United States on the outside looking in. The number of trade agreements between Asian countries surged from three in 2000 to more than 50 today. Some 80 more are in the pipeline. Meanwhile, the United States has just three trade agreements in Asia (with Australia, Singapore and South Korea).

This challenge is growing: 16 countries are launching expedited negotiations for a trade deal called the Regional Comprehensive Economic Partnership (RCEP). It includes Australia, China, India, Japan, Korea and New Zealand—as well as the 10 ASEAN countries—but not the United States.

The TPP is America's best chance to secure a level playing field for trade in the Asia-Pacific region. Its objective is to achieve a comprehensive, high-standard and commercially meaningful trade and investment agreement with 11 other Asia-Pacific nations, including Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam. It also includes Canada, Mexico, Peru and Chile, thus offering a chance to integrate existing U.S. trade agreements in the Americas.

One top U.S. priority is to ensure the TPP protects intellectual property (IP), which plays a critical role in driving economic growth, jobs and competitiveness. According to the U.S. Department of Commerce, IP-intensive companies account for more than \$5 trillion of U.S. GDP, drive 60% of U.S. exports and support 40 million American jobs. To build on these strengths, the TPP must include robust IP protection and enforcement provisions that build on the U.S.-Korea Free Trade Agreement and provide 12 years of data protection for biologics consistent with U.S. law.

Completing the TPP would pay huge dividends for the United States. The agreement would significantly improve U.S. companies' access to the Asia-Pacific region, which is projected to import nearly \$10 trillion worth of goods in 2020. A study by the Peterson Institute for International Economics estimates the trade agreement could boost U.S. exports by \$124 billion by 2025.

Working closely with the Office of the U.S. Trade Representative (USTR), the Chamber has led the business community's advocacy for the inclusion of strong disciplines in the TPP trade agreement on intellectual property, due process in anti-trust enforcement, state-owned enterprises, and regulatory coherence.

The TPP has the potential to strengthen our nation's commercial, strategic and geopolitical ties across one of the fastest growing and most influential parts of the world. It would be an economic shot in the arm, boosting growth and jobs across the country.

THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

As we consider new trade accords with our biggest commercial partners, Europe calls out for attention. Indeed, the European Union is by far America's largest commercial partner.

Together, the United States and the European Union account for nearly half of global economic output, with each producing approximately \$17 trillion in GDP. Total U.S.-EU commerce—including trade in goods and services and sales by foreign affiliates—tops \$6.5 trillion annually and employs 15 million Americans and Europeans.

The U.S.-EU investment relationship is even more impressive. Companies headquartered in EU Member States had invested nearly \$1.7 trillion in the United States by the end of 2013 and directly employ more than 3.5 million Americans. Similarly, U.S. firms have invested \$2.4 trillion in the EU—a sum representing more than half of all U.S. investment abroad. It's also nearly 40 times as much as U.S. companies have invested in China. Because of this unique investment-based relationship, approximately 40% of U.S.-EU trade is intra-industry and intra-firm, which means that removing barriers to this trade will substantially boost the competitiveness of our companies in global markets.

The United States and the Member States of the EU share common values as strong democracies with an enduring commitment to civil liberties and the rule of law. We uphold similar social, labor and environmental standards in our laws and regulations.

For these reasons and more, the United States and the EU in July 2013 launched the TTIP negotiations. The goal is to eliminate tariffs; open up services, investment and procurement; and promote regulatory cooperation to ensure high levels of health, safety and environmental protection while cutting unnecessary costs.

The benefits could be immense. The sheer volume of transatlantic commerce is so large that eliminating today's relatively modest trade barriers could bring big benefits. According to the London-based Centre for Economic Policy Research (CEPR), the TTIP would boost U.S. exports to the EU by \$300 billion annually, add \$125

billion to U.S. GDP each year and increase the purchasing power of the typical American family by nearly \$900—with similar benefits for Europeans.

One key goal in the negotiations is to tackle regulatory barriers to trade. Companies selling their products on both sides of the Atlantic incur high costs complying with both U.S. and European regulations, even when they are very similar. For example, U.S. automakers run crash tests to comply with U.S. safety regulations but must do so a second time to comply with EU standards—and vice versa. Mutual recognition of these regulations would save consumers up to 7% on each car or truck and enhance the global competitiveness of U.S. and European companies.

TTIP also is an opportunity to raise global standards. With a combined GDP of more than \$30 trillion, the sheer size of the transatlantic economy will incentivize other countries to look to standards set in the TTIP. Accordingly, the United States and the EU should establish a high bar in such areas as cultivating the digital economy and combating trade and investment protectionism.

Indeed, refusing to pursue this agreement would exact a price as other countries enter into new trade pacts with the EU. Already, the EU has dozens of trade agreements in force with such countries as Mexico, Central America, Colombia, South Africa and South Korea. It has concluded negotiations for additional agreements with Canada, Singapore, Ukraine and others.

The EU is currently in negotiations with India, Japan, Malaysia, Thailand, Vietnam and the Mercosur bloc. Without a trade agreement in place with the EU, U.S. workers and companies could be put at a disadvantage in the giant European marketplace.

Finally, the TTIP would not benefit the United States and the EU at the expense of other nations. In fact, liberalizing transatlantic trade would increase GDP in the rest of the world by as much as \$130 billion, according to a CEPR study.

THE TRADE IN SERVICES AGREEMENT

While it hasn't made national headlines, the United States has joined with more than 50 other countries to launch negotiations for a high-standard trade agreement in services dubbed the Trade in Services Agreement (TISA). This exciting new accord, covering about two-thirds of the global market for services, has the potential to ignite economic growth and job creation in the United States and abroad.

Services are a clear strength for the United States, which is by far the world's largest exporter of services. U.S. services exports reached \$710 billion in 2014, and the U.S. services trade surplus reached \$232 billion. In addition, services sales by foreign affiliates of U.S. multinational corporations topped \$1 trillion. Combined, total sales of U.S. services abroad reached approximately \$1.7 trillion in 2014.

Contrary to popular misconception, many jobs in services pay well. Approximately 18 million Americans are employed in business services such as software, architectural services, engineering and project management services, and insurance—all of which generate billions of dollars in exports. Wages in these sectors are 20% higher on average than those in manufacturing, which employs about 12 million Americans.

Even so, the potential for service industries to engage in international trade is almost untapped. One in four U.S. factories exports, but just one in every 20 providers of business services does so. Just 3% of U.S. services output is exported, according to the Peterson Institute for International Economics.

The chief goals of the United States in TISA are to expand access to foreign markets for U.S. service industries and prohibit discrimination against American service providers in foreign markets. In addition, the TISA will put in place rules to prevent regulations from being used as disguised trade barriers that shut out U.S. services exports.

The payoff from the TISA could be huge. Eliminating barriers to trade in services could boost U.S. services exports by as much as \$860 billion—up from 2013's record \$682 billion—to as much as \$1.4 trillion, according to the Peterson Institute. Such a dramatic increase could create as many as three million American jobs.

The TISA may not be making headlines anytime soon, but its potential to drive economic growth and job creation in the United States and beyond is significant. The American business community is committed to working closely with U.S. negotiators, foreign governments and Congress to press for a strong agreement that translates this potential to reality.

THE WORLD TRADE ORGANIZATION

In addition to these negotiations, the U.S. Chamber remains firmly committed to the global rules-based trading system embodied by the World Trade Organization (WTO). In the view of Chamber members, the U.S. business community needs the WTO today as much as ever. Its rules inform national policy at home and abroad, and its dispute settlement system commands global respect.

The multilateral trading system has benefited the entire world. Eight successful multilateral negotiating rounds have helped increase world trade from \$58 billion in 1948 to \$22 trillion today. This is a 40-fold increase in real terms, and it has helped boost incomes in country after country.

Renewing TPA could open the door to additional trade agreements negotiated through the WTO. While it is not required for the critical expansion of the Information Technology Agreement, TPA will be needed to secure passage of the WTO's Environmental Goods Agreement now under negotiation.

The United States and 13 other WTO Members, including China and the 28 Member States of the European Union, last year launched this new initiative to eliminate tariffs on environmental goods. These countries account for 86% of global trade in environmental goods. The initiative aims to build on the APEC Leaders' commitment to reduce tariffs on the APEC List of 54 Environmental Goods to make these technologies cheaper and more accessible.

The Chamber welcomed the initiative. Eliminating barriers to trade in environmental goods such as solar panels, gas and wind turbines, and products to control air pollution and treat wastewater is both pro-environment and pro-growth.

Total global trade in environmental goods approaches \$1 trillion annually, but some countries currently apply tariffs to these goods as high as 35%, discouraging their use. The countries taking part in this initiative have begun to reach out to other countries to encourage them to join in.

OTHER TRADE PRIORITIES BEFORE CONGRESS

In addition, the Chamber strongly supports the AGOA Extension and Enhancement Act of 2015, which would renew both the African Growth and Opportunity Act (AGOA) and the Generalized System of Preferences (GSP) and provide continued trade benefits for Haiti.

AGOA benefits not only the economies of sub-Saharan Africa but U.S. companies and consumers here at home, but it will expire on September 30, 2015. Moving this bill sooner rather than later will avert disruption of trade flows and afford companies the certainty they need to make investments and sourcing decisions. Moreover, as the first and only economic policy platform that exists between the United States and sub-Saharan Africa, AGOA's looming expiration weighs heavily on U.S. relations with the region and threatens to undermine the gains that African economies have made under this program.

GSP expired on July 31, 2013. Since 1976, GSP has promoted economic growth in more than 120 developing countries by providing duty-free access to the U.S. market for thousands of selected products. GSP helps keep U.S. manufacturers and their suppliers competitive. Approximately three-quarters of U.S. imports using GSP are raw materials, parts and components, or machinery and equipment used by U.S. companies to manufacture goods in the United States for domestic consumption or for export. The products coming in under GSP generally do not compete with U.S.-made goods in any significant way. According to a 2006 U.S. Chamber of Commerce study, over 80,000 American jobs are associated with moving GSP imports from the docks to farmers, manufacturers, and retail shelves.

In addition, the Chamber strongly supports efforts to modernize our own borders and facilitate trade and travel through customs reauthorization legislation. A bill to reauthorize U.S. Customs and Border Protection is long overdue, as the dramatic growth of global supply chains has made trade facilitation critical to business competitiveness.

Technological progress and falling transportation costs—coupled with companies' need to access resources, labor, and markets—have pushed companies to source many raw materials, intermediate goods, and other inputs from locations around the world. Outdated customs procedures can raise costs for U.S. businesses that rely on global supply chains to access these inputs and to reach new consumer markets. Making improvements to customs procedures to ease cross-border friction will

smooth the flow of trade and ensure the timely delivery of inputs and final products. Small- and medium-sized businesses would be among the top beneficiaries.

The Chamber is eager to advance legislation in the 114th Congress to promote trade facilitation, modernize customs processes, improve enforcement of customs and trade laws, advance cooperation among government agencies, enhance intellectual property rights enforcement, and set the global standard for border management. There is bipartisan support for this legislation, and we urge Congress to move this legislation forward alongside the TPA bill.

CONCLUSION

To conclude, the United States cannot afford to sit on the sidelines while others set the rules of world trade. To create the jobs, growth, and prosperity our children need, we need to set the agenda. Otherwise, our workers and businesses will miss out on huge opportunities.

We need a laser-like focus on access to foreign markets. We urgently need to renew TPA. Then, Congress and the administration should use this legislation to pursue new trade agreements to ensure that international commerce is fair. The trans-Pacific, trans-Atlantic, services, and WTO trade agreements now being negotiated represent a once in a lifetime opportunity to tear down the walls that have shut American goods and services out of foreign markets for so long.

And with all our trade agreements—old and new—we need to ensure they are fully enforced. The trade agreements we enter into are not worth the paper they are written on if they are not fully enforced.

The United States is home to many of the best workers and companies in the world. We create many of the world's most innovative products. We have also got tougher competition facing us than ever before. But our productivity is high, and our energy costs are going down. The facts show we can compete and win.

The Chamber looks forward to working with Congress and the administration to advance a bold trade agenda to generate growth, opportunity, and jobs.

Thank you very much, and I look forward to your questions.

(From the U.S. Chamber of Commerce, February, 11, 2015)

THE OPEN DOOR OF TRADE: HOW AMERICA'S FTAs FACILITATE THE EXCHANGE OF TRADE

By John G. Murphy

Part 2 in an occasional series

Previously: Assessing the Benefits of America's FTAs (<http://www.uschamber.com/blog/open-door-trade-assessing-benefits-america-s-ftas>)

What are the benefits of America's free trade agreement (FTAs)? With debate over the renewal of Trade Promotion Authority (TPA) now underway in Washington, the Chamber is publishing this series of blog posts examining the benefits of the trade agreements that TPA makes possible. Here is the full report on the benefits of America's free trade agreement.

These benefits are most obvious in the booming trade we enjoy with the 20 countries with which we have entered into FTAs. While these countries represent just 10 percent of the world economy outside the United States, in recent years they have purchased nearly half of all U.S. exports, according to the U.S. Department of Commerce.

It should come as no surprise that eliminating tariffs and other trade barriers allows trade to expand. As the chart below indicates, U.S. exports to new FTA partner countries have grown roughly three times as rapidly on average in the five-year period following the agreement's entry-into-force as the global rate of growth for U.S. exports.

Increase in U.S. Exports Since FTA Entry Into Force
Merchandise Exports, Millions of U.S. Dollars

FTA Partner Country	Date of Entry-into-Force of FTA	Year Before FTA Entered into Force (Baseline)	U.S. Exports to FTA Partner in Baseline Year	U.S. Exports to FTA Partner Five Years Later	% Increase
Israel	9/1/1985	1985	2,579.6	3,203.0	24.2%
Canada	1/1/1989	1988	71,622.0	100,444.2	40.2%
Mexico	1/1/1994	1993	41,580.8	56,791.6	36.6%
Jordan	12/17/2001	2001	339.0	650.3	91.8%
Chile	1/1/2004	2003	2,715.0	11,857.4	336.7%
Singapore	1/1/2004	2003	16,560.2	27,853.6	68.2%
Australia	1/1/2005	2004	13,957.9	19,599.3	40.4%
Morocco	1/1/2006	2005	480.8	1,947.0	305.0%
El Salvador	3/1/2006	2005	1,854.3	2,433.1	31.2%
Honduras	4/1/2006	2005	3,253.8	4,606.4	41.6%
Nicaragua	4/1/2006	2005	625.5	981.3	56.9%
Guatemala	7/1/2006	2005	2,835.4	4,478.3	57.9%
Bahrain	8/1/2006	2005	350.8	1,249.6	256.2%
Dominican Republic	3/1/2007	2006	5,350.5	7,346.2	37.3%
Costa Rica	1/1/2009	2008	5,679.8	7,223.5	27.2%
Oman	1/1/2009	2008	1,382.0	1,571.3	13.7%
Peru	2/1/2009	2008	6,183.0	10,101.8	63.4%
South Korea	3/15/2012	2011	43,461.6	NA	NA
Colombia	5/15/2012	2011	14,335.7	NA	NA
Panama	10/31/2012	2011	8,251.6	NA	NA
Average annual % change in U.S. exports for all FTAs in first five years:					18.0%
Average annual % change in U.S. exports to the world 2000–2010 (for comparison):					6.3%

Note: As the U.S.-Israel and U.S.-Jordan FTAs entered into force late in the calendar year, those years are used as the baseline in this table.

Source: U.S. Department of Commerce.

Some FTAs have helped produce even more impressive results. U.S. exports to Chile and Morocco quadrupled in the five years after FTAs entered into force. This boost to U.S. export growth is especially pronounced with more recent FTAs, which are front-loaded to eliminate tariffs rapidly, open services markets, and eliminate non-tariff barriers more comprehensively than earlier FTAs.

The trade balance is a poor measure of the success of these agreements, but the trade deficit is often cited by trade skeptics as a principal reason why the United States should not negotiate additional FTAs. However, taken as a group, the United States ran a trade surplus with its FTA partner countries in 2012 and 2013, and this surplus likely has grown since then (see chart below).

U.S. Trade Balance With FTA Partners

	2011	2012	2013
Merchandise	\$(79,918)	\$(70,820)	\$(66,612)
Services	\$65,841	\$70,876	\$75,034
Total	\$(14,077)	\$56	\$8,422

Source: U.S. Department of Commerce.

In fact, the United States has recorded a trade surplus in manufactured goods with its FTA partner countries for each of the past five years, according to the U.S. Department of Commerce. This surplus reached \$27 billion in 2009 and had expanded to \$61 billion by 2013.

However, exports are just one side of the trade equation: Imports provide direct benefits to Americans as well. They mean lower prices for American families as they try to stretch their budgets—and for companies seeking raw materials and other inputs. In recent decades, lower tariffs have stimulated U.S. productivity through greater competition in the marketplace and brought greater product choices to U.S. producers and consumers. According to the Peterson Institute for International Economics, this has brought “a gain in annual income of about \$10,000 per household.”

In fact, half a century of trade liberalization has made it less and less relevant to look at international commerce through a mercantilist lens focused solely on exports. North America offers a useful case study: After more than two decades of free trade, officials and business leaders in Canada, Mexico, and the United States point out with growing frequency that workers and firms across the continent increasingly “make things together,” employing “global value chains” that cross national borders.

This approach leads to efficiencies that have proven vital to the global competitiveness of North American industry. In the highly integrated auto sector, for example, it is common for cars assembled in the Great Lakes region to cross the U.S.-Canada border half a dozen times as they are assembled. In turn, American auto exports increased 82 percent between 2009 and 2012, according to the International Trade Commission, reaching an all-time high of approximately 2 million cars and trucks in 2013. A growing share is headed to Asia, the Middle East, and other locations: U.S.-built cars shipped to China have risen nearly sixfold since 2009.

One study found that “one-quarter of U.S. imports from Canada consist of value added from the United States itself, and a huge 40 percent of U.S. final good imports from Mexico consist of its own [U.S.] value added.” As Mexican officials have pointed out, “For every dollar that Mexico earns from exports, 50 cents are spent on American goods.”

North America’s mature global value chains reduce costs for businesses and enhance their global competitiveness, but there are other examples where U.S. firms are operating with a host of partners in other regions. For example, one recent study found that 70 percent of the final retail price of apparel assembled in Asia—and sold in the United States—is created by American innovators, designers, and retailers. Further, even though nearly all apparel and footwear sold in the United States is imported, these industries employ 4 million Americans.

The principal rationale for FTAs is to unleash new flows of mutually beneficial trade between Americans and the citizens of these 20 countries—and do so in a way that is fundamentally fair. On this score, these FTAs have been a dramatic success for the United States—as they have been for our FTA partners.

PREPARED STATEMENT OF HON. MICHAEL FROMAN, U.S. TRADE REPRESENTATIVE,
EXECUTIVE OFFICE OF THE PRESIDENT

April 16, 2015

Chairman Hatch, Ranking Member Wyden, Members of the Senate Finance Committee, thank you for the opportunity to testify today.

Trade plays a vital role in supporting good jobs, spurring growth, and strengthening the American middle class. As a result, increasing access to foreign markets for U.S. exports through enhanced trade opportunities has long been a bipartisan

effort. Closely related to these economic stakes is the simple fact that sustaining our strength and influence abroad requires that we lead on trade. Our nation's economic strength and our position in the world hinges on our ability to lead—and to lead together.

ECONOMIC IMPORTANCE OF TRADE

Trade has been one of our strongest engines for prosperity and progress. Since World War II, trade liberalization has added significantly to our GDP, boosting average family incomes year after year. These gains have disproportionately benefitted low-income Americans, who spend a much greater portion of their income on highly traded staples.

Today, the importance of trade to America's economic well-being has never been clearer. Since 2009, U.S. exports have contributed nearly one-third of our overall economic growth. Last year, U.S. exports reached \$2.35 trillion, a record-breaking amount that supported an estimated 11.7 million jobs, an increase of 1.8 million jobs since 2009. With those jobs paying up to 18 percent more than jobs not related to exports, trade policy has an important role to play in raising wages and living standards for the middle class.

Partially as a result of our exporting success, our economy continues to grow. Job creation is happening at the fastest rate since the 1990s, and wages are finally starting to rise. After nearly two decades in decline, factories are opening in this country again, manufacturing is starting to return from overseas, and we have added 900,000 new manufacturing jobs over the last five years. Last week, we published a report detailing how trade is benefitting all 50 states and highlighting some of the small and medium-sized American businesses that are competing and winning in global markets.

But we could do much better if the playing field were level. Put simply, the United States is already an open economy, but others are not. Our average applied tariff is only 1.4 percent, among the lowest in the world. In contrast, our businesses face much higher tariffs, and countless non-tariff measures abroad. Many of these imbalances are in areas where the United States is most competitive: 50% tariffs on machinery, 70% on autos, and up to 400% on certain agricultural products. In a world where more than 95 percent of all customers live outside our borders, the disadvantages our workers and businesses face are less an inconvenience than an injustice.

ADVANCING THE TRADE AGENDA

As global markets continue to grow, so too does the opportunity for American workers and businesses. Take Asia, whose middle class consumer population of 525 million is expected to swell to 3.2 billion over the next 15 years. By 2030, two-thirds of the world's middle class will call Asia home. These countries will be the world's fastest-growing consumers of everything from cars and cosmetics to streaming movies and music to fresh fruit and vegetables, and their governments and businesses will be the fastest-growing investors in everything from infrastructure to aircraft to satellites. As they grow, the question is, will American workers and businesses get a fair shot at serving these markets? Will they be buying Made-in-America products or products made elsewhere?

At the forefront of our trade agenda is TPP, which will cover 11 other countries and nearly 40 percent of the global economy. TPP will grow our exports by more than \$123 billion by 2025, according to one estimate. These exports will support many more high-paying jobs. TPP will level the playing field for U.S. businesses and workers by establishing the highest standards of any trade agreement in history, as well as the first disciplines on state-owned enterprises and on maintaining a free and open Internet.

Equally important, TPP represents a once-in-a-generation opportunity to play a leading role in writing the rules of the road for the world's fastest-growing region. That's why TPP is a central pillar of America's rebalance to Asia, as Secretary of Defense Carter recently noted. By leading on these issues, the United States underscores our commitment as a Pacific power to the region, deepens our alliances and partnerships, and establishes standards that reflect our interests and values. We can launch a race to the top, rather than be subject to a race to the bottom that we cannot win and should not run.

The stakes become even clearer when you consider the alternatives to American leadership on trade. In recent years, Asia-Pacific countries have entered into over

200 trade agreements, altering the landscape of trade and putting U.S. companies and workers at a disadvantage.

As we speak, China and others are negotiating an agreement that would encompass over three billion people, most of the new global middle class. This would create a strong tidal pull for investment and a powerful disincentive for investment in the United States. If we allow others to carve up the markets of the future—and to do so without raising labor and environmental standards, promoting innovation, and ensuring fair competition and openness—our workers and businesses will pay a steep price.

The choice we face today is clear. On the one hand, the promise of leading on trade includes more good jobs, robust growth, and a stronger middle class. On the other hand, the status quo is not only counterproductive, but unsustainable. The inescapable fact is that we cannot protect American workers by ceding our leadership and standing by as other nations set the rules of the road. If we want to drive production in the United States, and create good jobs here, we must lead through a trade policy that reflects our interests and our values.

America's interests extend beyond the Asia-Pacific, of course, and so does the importance of our leadership on trade. During my testimony in January, I discussed in much greater depth and detail the efforts that comprise the President's Trade Agenda, whether it is the Transatlantic Trade and Investment Partnership we're negotiating with the EU or the work we're undertaking in Geneva to further WTO negotiations, eliminate tariffs on environmental goods and information technology products and increase access for our world class services exporters.

STRENGTHENING A BIPARTISAN TRADITION

A critical tool for unlocking the benefits of trade is Trade Promotion Authority (TPA) legislation. The long bipartisan tradition on this issue began when President Franklin Roosevelt signed the first trade negotiating legislation in 1934. During the eight decades since, Congresses of both parties have revised and renewed that authority 18 different times for Democratic and Republican Presidents alike.

Under the modern form of TPA, Congress establishes legislative procedures for the consideration and approval of trade agreements, including setting out what objectives should be negotiated and how the Administration will consult with it before and during negotiations.

But TPA hasn't been updated since 2002. During that time, the global economy has changed significantly. State-owned enterprises have increasingly tilted the playing field against our workers and businesses by receiving unfair subsidies while competing for the same customers. The digital economy has exploded. Congress now has the opportunity to account for the tectonic shifts in the global economy as well as the emerging consensus around key issues affecting trade, including labor, the environment and innovation policies.

CONCLUSION

With so much at stake, I look forward to continue working with this Committee and the Congress as a whole to pass TPA and advance the broader trade agenda, including renewing the Generalized System of Preferences that expired in 2013 and the African Growth and Opportunity Act well before its expiration in September. We also look forward to renewing Trade Adjustment Assistance, which helps provide American workers with the skills to compete in the 21st century.

Thank you again for the opportunity to testify today. I welcome your questions.

QUESTION SUBMITTED FOR THE RECORD TO HON. MICHAEL FROMAN

QUESTION SUBMITTED BY HON. PATRICK J. TOOMEY

Question. As we work to promote trade opportunities in Europe and the Pacific Rim, I want to raise a significant issue relating to the enforcement of the existing free trade agreement between the United States and Morocco.

In 2014, the Government of Morocco enacted an export quota on Gigartina seaweed. Gigartina is a significant source of carrageenan, a food manufacturing input used by several U.S. companies. It is my understanding that the export quota announced in June of 2014 significantly reduces the amount of Gigartina available to

U.S. companies, which may detract from the competitiveness of our domestic food manufacturers. Further, my office has been informed that the government of Morocco has provided no legitimate environmental or economic reason to impose this quota and it does not appear to be permitted under any multilateral or bilateral trade agreement.

I respectfully request that you investigate Morocco's export quota on Gigartina and, if necessary, seek consultations with the government of Morocco to resolve the issue in a manner that is consistent with all relevant WTO and FTA obligations.

Answer. Morocco's export quota on Gigartina seaweed has been and continues to be a high priority in our bilateral engagement with Morocco. We have raised concerns relating to the export quota with Moroccan officials on numerous occasions, both in person and in writing. The issue featured prominently in the U.S.-Morocco Free Trade Agreement Joint Committee meeting in February and in a more recent meeting between USTR and the Moroccan Ambassador in Washington in June. We are working with affected stakeholders and continue—in close cooperation with the Department of State, the Department of Agriculture, and the U.S. Embassy in Morocco—to gather relevant facts and to urge the Government of Morocco to provide information (including appropriate studies) as to whether there is a legitimate basis for maintaining the restrictive export quota. A letter sent in June by the U.S. Ambassador to Morocco to relevant Moroccan authorities is the most recent example of this interagency cooperation. The U.S. Embassy in Rabat is also coordinating with European Union officials—whose industry is likewise affected by the export quota—in order to reinforce our efforts.

Our next steps in engaging the Moroccan authorities on this issue will depend on what we learn from the Moroccans and what we learn from affected stakeholders and our own sources about the basis for the Moroccan government's actions with respect to the export quota.

PREPARED STATEMENT OF HON. ORRIN G. HATCH

April 16, 2015

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a committee hearing on Congressional trade priorities:

I would like to thank everyone for attending today's hearing on Congress and U.S. Tariff Policy.

And, welcome to the distinguished panel of witnesses we have before the committee today: Ambassador Froman, Secretary Lew, and Secretary Vilsack.

Each of you gentlemen serves in key positions and makes decisions every day on important trade issues. We look forward to your testimony and appreciate your contributions to this debate.

My hope is that this hearing will help kick-start the first real opportunity we've had to debate U.S. trade policy in a number of years as we get closer to introducing and enacting legislation to renew Trade Promotion Authority, or TPA.

Let me start by stating one simple premise: U.S. trade with other countries is a good thing.

Trade creates new opportunities for America's workers, enhances the standard of living for our citizens, helps our national security by solidifying alliances with like-minded nations, advances America's values abroad, strengthens the rule of law, and helps lift people across the globe out of poverty.

To effectively achieve these goals, Congress must be an effective partner with the administration.

Our nation's constitutional framework is complex. Article I of the Constitution grants to the Congress the power to regulate commerce with foreign nations. But, Article II grants the President the power to conduct foreign policy.

I think most would agree that trying to negotiate an agreement among many different parties with different priorities and vague objectives is an inherently difficult, if not impossible, proposition. Most would also agree that it would be even more difficult to reach an agreement if the parties are unsure if their negotiating partners will be able put the agreement into force.

Given those realities, it's pretty easy to understand why TPA is so important. No potential trade partner will give our negotiators their best offer unless they know what issues matter to us most and whether we can deliver on the deal. Simply put, for America to be able to succeed at the trade negotiating table and to set the rules for a fair international marketplace, we must speak with one voice in our demands and provide assurance that we will deliver what we promise.

Now, people may have different theories about how to best achieve those goals, but there is only one legislative tool with a proven track record, and that is TPA.

TPA is the most powerful tool in Congress's trade arsenal. For decades now, robust TPA laws have ensured that Congress plays a leading role in setting our country's trade agenda and providing our trade negotiators with the necessary tools to reach the best deals possible.

Currently, the Obama Administration is in the midst of negotiating some of the most ambitious trade agreements in our nation's history. I commend them for that. But, as I've stated on a number of occasions, those negotiations will almost certainly fail if Congress does not renew TPA.

And, make no mistake, failure in these negotiations would have a negative impact on our economy.

More than 96 percent of the world's consumers live outside the United States. In order to be competitive, American businesses need to be able to sell more American-made products and services to those overseas customers.

Put simply, if we want to create more opportunity and high-paying jobs here at home, we need to open more foreign markets to U.S. goods and services. We should be doing all we can to tear down barriers to American exports while, at the same time, laying down enforceable rules for our trading partners so we can be sure that American workers and job-creators are competing on a level playing field.

We need to be leading the world on trade, writing the rules and setting the standards. If we don't, other countries—countries like China—most certainly will.

We can address all of these concerns by passing strong TPA legislation. Senator Wyden and I are currently working to do just that.

I want to thank Senator Wyden for his efforts to help us get as far as we have. I also want to once again thank the three cabinet officials who are here to share their views on the role of Congress, U.S. tariff policy, and what our work means to our nation's international trade agenda.

PREPARED STATEMENT OF HON. ORRIN G. HATCH

April 16, 2015

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a committee hearing on trade priorities following the announcement of a bipartisan, bicameral Trade Promotion Authority bill:

Welcome back. I appreciate everyone who has returned for this second half of our hearing on trade policy.

Ambassador Froman, thank you for agreeing to stay a little longer.

I'm pleased to announce that Ranking Member Wyden, House Ways and Means Committee Chairman Ryan, and I have reached an agreement on legislation to renew Trade Promotion Authority. We've also reached an agreement on bills to address Trade Adjustment Assistance and to reauthorize and extend some trade preference programs.

I hope that all my colleagues will take the time to carefully study these bills. Once they do, I think they will find that we've been able to put together some balanced and effective legislation that will help improve the health of our economy and better serve our nation's hardworking taxpayers.

The TPA bill contains the clearest articulation of trade priorities in our nation's history. It includes nearly 150 ambitious, high-standard negotiating objectives, including strong rules for intellectual property rights and agricultural trade, as well as protections for U.S. investment. Many of these objectives break down barriers

that American exporters face in the 21st-century economy, such as regulatory barriers, currency manipulation, and state-owned enterprises.

The bill contains unprecedented consultation requirements that will ensure that Congress is an equal partner throughout the negotiations. It also includes new transparency requirements that will help the public know and understand what is being discussed before agreements are signed.

And, like prior TPA bills, the procedures in our bill guarantee that all trade agreements will get an up-or-down vote in Congress.

At the same time, we included new tools to hold the administration accountable, including a procedure that Congress can employ if our trade negotiators fail to consult or make progress toward meeting the negotiating objectives.

This is a strong bill, one that builds off the success of previous iterations of TPA to enhance our efforts to expand market access for our exporters and job creators.

Throughout the process of crafting this legislation, I have worked closely with my colleagues and I would just like to thank all of them for their contributions.

I'd like to thank Senator Portman for his input on trade issues. He's got a great background in this area and his leadership on TAA and HCTC has been extremely important.

Senator Toomey has been a great partner on enforcement issues. The trade bills we are looking at include the strongest language yet on enforcement and that's really because of members like Senator Toomey and their work.

Senator Grassley, I'd like to thank you as well for your leadership on agriculture issues. I'd also like to say a warm thanks to Senator Isakson who has also been a strong voice for agriculture issues. In addition, Senator Isakson has been a leader for years on the African Growth and Opportunity Act and I look forward to working with him to get that renewed along with the Generalized System of Preferences.

We are lucky to have Senator Burr and Senator Scott on the committee. Both have been strong advocates in this process for the textiles industry, and I would like to thank them for their work.

Senator Thune has provided many creative ideas on digital trade. I think we have been able to incorporate a lot of them here. I'd like to thank him for his contributions.

Senator Crapo and Senator Coats have been of great assistance on some particularly challenging agriculture issues, and I'd like to thank them as well.

As I mentioned this morning, we intend to move expeditiously on these bills. If we don't act now we will lose our opportunity. I appreciate the cooperation of all our members moving forward.

PREPARED STATEMENT OF HON. ORRIN G. HATCH

April 21, 2015

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a committee hearing on trade priorities and The Bipartisan Congressional Trade Priorities and Accountability Act of 2015:

I'd like to welcome everyone to the continuation of our hearing on Congress and U.S. Tariff Policy. Today, we have a very distinguished panel of witnesses that I hope will help us expand the ongoing discussion of our nation's trade agenda.

As everyone here knows, last week Senator Wyden and I, along with House Ways and Means Committee Chairman Ryan, introduced legislation to renew Trade Promotion Authority, or TPA. Our intention is to mark up the TPA bill—along with a handful of other trade-related bills—later this week.

This legislation is a long time coming.

TPA expired in 2007. While talks for various trade agreements have gone on since that time, without TPA in effect, our negotiators have been effectively negotiating with one hand tied behind their backs because they have not been able to assure our trading partners that the deal they sign is the one Congress will vote on in the end.

Our legislation will fix that.

I want to thank Ranking Member Wyden for his support and assistance thus far. We've got a long way to go, but, working together, I am confident we can get there.

Now, some have expressed concerns about the process by which we're moving this bill forward. For example, I've heard arguments that we're moving too quickly, without adequate discussion or examination.

Those concerns are, in my view, unfounded.

First of all, the bill on which our current TPA legislation is based was first introduced in January of 2014, almost a year and a half ago. Since that time, it has been available for examination, dissection, discussion, and comment.

Thousands of organizations weighed in on the merits of that bill, including business associations, organized labor, think tanks, and advocacy groups.

Many members of Congress from both parties and in both chambers are on the record either praising or criticizing that bill. And, officials in the Obama Administration expressed their support for it.

True enough, in our discussions, Senator Wyden, Chairman Ryan, and I made some improvements to that original bill. But, the fundamentals remain the same and we've been very transparent as to what the changes have been.

Second, in the 113th Congress, the Finance Committee held nine hearings on trade, and TPA was brought up at virtually every one of them. I know this because, more often than not, I was the one bringing it up.

One of those hearings was devoted specifically and entirely to TPA and included the testimony of witnesses across the spectrum, including one representing organized labor.

Finally, since the 114th Congress convened just about three months ago, this committee has had three hearings in which trade and TPA was a major topic of discussion. Today's hearing is the fourth.

In other words, this is well-covered territory for this committee.

So, while I understand and respect that there are sincerely-held views on this topic, some of which are different than mine, any arguments that we've been less than forthcoming and transparent with this TPA legislation are, not to put too fine a point on it, nonsense.

I've been in the Senate a long time. And, I think I'm generally considered to be pretty reasonable. I am certainly willing to listen to and consider any genuine concerns that some may have about process. I want all sides to be heard and I want a fair and open debate. That's why we're having this additional hearing.

By all means, we should have a frank and open discussion about these issues and I hope we will continue to do so today. But, let's not dress up opposition to trade and TPA as concerns about process.

During our hearing last week, I made two assertions about trade.

I stated plainly that U.S. trade with foreign countries is a good thing. And, I said that TPA is the best tool Congress has in its arsenal to help influence and facilitate trade.

Those are pretty fundamental assertions. And, at the end of the day, people are either going to agree with them or they won't. More hearings and weeks of additional delays aren't going to change many minds one way or the other on those essential issues.

With that in mind, I welcome today's hearing. Like I said, we've got a very distinguished panel of witnesses who I think will speak to the heart of these matters. I look forward to a spirited discussion.

For my part, I just want to make clear—if it's not clear enough already—that I believe Congress should be working hand in hand with the administration to break down barriers to foreign markets in order to give our businesses and job creators a chance to compete in the global marketplace.

The United States should be a leader in international trade. We should be setting the standards and making the rules. We simply cannot afford to sit on the sidelines and let other countries dictate where the world goes on trade.

Trade is an essential element of a healthy economy. We should be doing all we can to advance a trade agenda that works for America and advances our interests on the world stage.

LETTER SUBMITTED FOR THE RECORD BY HON. ORRIN G. HATCH

April 22, 2015

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Harry Reid
Democratic Leader
United States Senate
Washington, DC 20510

The Honorable John Boehner
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
Washington, DC 20515

Dear Majority Leader McConnell, Speaker Boehner, Democratic Leader Reid, and Democratic Leader Pelosi:

We are writing to urge swift action to renew Trade Promotion Authority (TPA) on behalf of the nearly 300 undersigned organizations. Our chambers of commerce, manufacturing organizations, and farm bureaus represent millions of companies, workers, farmers, and ranchers from every sector of the economy and every state in the union.

Trade agreements negotiated and concluded under TPA help drive economic growth and job creation here at home. They enable manufacturers, service providers, farmers, and ranchers across the country to reach the 95 percent of the world's customers who live outside our borders. One in four manufacturing jobs in the United States depends on exports, and one in every three acres of farmland is planted for consumers overseas. More than 97 percent of the 300,000 U.S. companies that export are small and medium-sized businesses.

However, the international playing field often is tilted unfairly against businesses and workers in the United States. While our market generally is open, U.S. exports face significant barriers abroad. Trade agreements tear down these barriers and create a level playing field. They help firms in this country and the millions of workers they employ compete successfully overseas. America's 20 existing trade agreement partners represent just 10 percent of the global economy, but purchase nearly half of all U.S. exports.

To expand these benefits, the United States is negotiating new trade agreements with some of the world's largest and fastest-growing economies, including with Europe and 11 Asia-Pacific nations. The United States also is pursuing multilateral deals that would reduce barriers to trade in services and environmental goods worldwide. However, to realize the potential of these agreements for U.S. jobs, economic growth, and competitiveness, Congress must pass Trade Promotion Authority.

TPA is a longstanding and proven partnership between Congress and the President that enables Congress to set negotiating objectives and requires the executive branch to consult extensively with legislators during negotiations. We urge you to act on this essential legislation as soon as possible this year.

Sincerely,

Alabama

Alexander City Chamber of Commerce
Birmingham Business Alliance
Manufacture Alabama
Mobile Area Chamber of Commerce
Montgomery Area Chamber of Commerce
South Baldwin Chamber of Commerce

Alaska

Greater Fairbanks Chamber of Commerce

Arizona	Arizona Chamber of Commerce Arizona Farm Bureau Federation Arizona Manufacturers Council Buckeye Valley Chamber of Commerce Chandler Chamber of Commerce Gilbert Chamber of Commerce Greater Flagstaff Chamber of Commerce Greater Phoenix Chamber of Commerce Mesa Chamber of Commerce Scottsdale Area Chamber of Commerce Tempe Chamber of Commerce Tucson Hispanic Chamber of Commerce Tucson Metro Chamber
Arkansas	Arkansas State Chamber of Commerce/Associated Industries of Arkansas
California	California Business Roundtable California Chamber of Commerce California Manufacturers & Technology Association Camarillo Chamber of Commerce Carlsbad Chamber of Commerce Cerritos Regional Chamber of Commerce Chamber of Commerce of the Santa Barbara Region Chambers of Commerce Alliance of Ventura & Santa Barbara Counties Corona Chamber of Commerce Desert Hot Springs Chamber of Commerce & Visitors Center Elk Grove Chamber of Commerce Fresno Chamber of Commerce Fullerton Chamber of Commerce Gateway Chambers Alliance Greater Conejo Valley Chamber of Commerce Huntington Beach Chamber of Commerce Indio Chamber of Commerce Irvine Chamber of Commerce Irwindale Chamber of Commerce Long Beach Area Chamber of Commerce Los Angeles Area Chamber of Commerce Moreno Valley Chamber of Commerce Murrieta Chamber of Commerce North San Diego Business Chamber Ojai Valley Chamber of Commerce Orange County Business Council Oxnard Chamber of Commerce Palm Desert Area Chamber of Commerce Palos Verdes Peninsula Chamber of Commerce Pasadena Chamber of Commerce & Civic Association Port Hueneme Chamber of Commerce Redondo Beach Chamber of Commerce Sacramento Metropolitan Chamber of Commerce San Bruno Chamber of Commerce San Diego Regional Chamber of Commerce San Francisco Chamber of Commerce San Gabriel Valley Economic Partnership San Jose Silicon Valley Chamber of Commerce Santa Clara Chamber of Commerce and Convention-Visitors Bureau Simi Valley Chamber of Commerce South Bay Association of Chambers of Commerce Southwest California Legislative Council Torrance Area Chamber of Commerce Valley Industry and Commerce Association Wilmington Chamber of Commerce

Colorado	Colorado Association of Commerce & Industry Colorado Business Roundtable Colorado Competitive Council Denver Metro Chamber of Commerce Metro Denver Economic Development Corporation South Metro Denver Chamber
Connecticut	Connecticut Business and Industry Association MetroHartford Alliance Middlesex County Chamber of Commerce The Bridgeport Regional Business Council
Delaware	Central Delaware Chamber of Commerce Delaware State Chamber of Commerce
Florida	Associated Industries of Florida Central Pinellas Chamber of Commerce Florida Chamber of Commerce Gainesville Area Chamber—Advanced Manufacturing Council Greater Boca Raton Chamber of Commerce Greater Miami Chamber of Commerce JAX Chamber West Orange Chamber of Commerce
Georgia	Cobb Chamber of Commerce Georgia Association of Manufacturers Georgia Chamber of Commerce Metro Atlanta Chamber of Commerce Savannah Area Chamber of Commerce
Hawaii	Chamber of Commerce Hawaii Kauai Chamber of Commerce
Idaho	Boise Metro Chamber of Commerce Idaho Association of Commerce & Industry
Illinois	Aurora Regional Chamber of Commerce Canton Area Chamber of Commerce Chicago Southland Chamber of Commerce Chicagoland Chamber of Commerce Des Plaines Chamber of Commerce and Industry Greater Oak Brook Chamber of Commerce and Economic Development Partnership Hoopeston Chamber of Commerce Illinois Chamber of Commerce Illinois Farm Bureau Federation Illinois Manufacturers' Association McLean County Chamber of Commerce Northcenter Chamber of Commerce Rolling Meadows Chamber of Commerce Western DuPage Chamber of Commerce
Illinois/Indiana	Quad Cities Chamber of Commerce
Indiana	Indiana Chamber of Commerce Indiana Farm Bureau Federation Indiana Manufacturers Association Indy Chamber Nappanee Area Chamber of Commerce St. Joseph County Chamber of Commerce Wabash County Chamber of Commerce

Iowa	Ames Chamber of Commerce Greater Des Moines Partnership Iowa Association of Business and Industry Iowa Business Council Iowa Chamber Alliance Iowa Farm Bureau Federation Mason City Chamber of Commerce
Kansas	Fort Scott Area Chamber of Commerce Greater Topeka Chamber of Commerce Kansas Farm Bureau Federation The Kansas Chamber of Commerce
Kentucky	Commerce Lexington Inc. Greater Louisville Inc. Kentucky Chamber of Commerce Northern Kentucky Chamber of Commerce
Louisiana	Chamber Southwest Louisiana Committee of 100 Louisiana Greater New Orleans, Inc. Jeff Davis Chamber of Commerce Louisiana Association of Business and Industry Monroe Chamber of Commerce Natchitoches Area Chamber of Commerce New Orleans Chamber of Commerce
Maine	Maine Chamber of Commerce
Maryland	Baltimore Washington Corridor Chamber of Commerce Maryland Chamber of Commerce
Massachusetts	Associated Industries of Massachusetts Fall River Area Chamber of Commerce & Industry Metro South Chamber of Commerce United Regional Chamber of Commerce
Michigan	Goodwill Industries of Southwestern Michigan Greater Brighton Area Chamber of Commerce Michigan Chamber of Commerce Michigan Chemistry Council Michigan Farm Bureau Federation Michigan Manufacturers Association
Minnesota	Dakota County Regional Chamber Eden Prairie Chamber of Commerce International Falls Area Chamber of Commerce Minnesota Chamber of Commerce Minnesota Farm Bureau Federation St. Cloud Area Chamber of Commerce TwinWest Chamber of Commerce
Mississippi	Mississippi Manufacturers Association The Chamber and Economic Development Center of Washington County
Missouri	Associated Industries of Missouri Missouri Chamber of Commerce and Industry Missouri Farm Bureau Federation St. Joseph Chamber of Commerce St. Louis Regional Chamber
Montana	Kalispell Chamber of Commerce Montana Chamber of Commerce Montana Farm Bureau Federation Montana Manufacturing Council

Nebraska	Columbus Area Chamber of Commerce Holdrege Area Chamber of Commerce Lincoln Chamber of Commerce Nebraska Chamber of Commerce & Industry
Nevada	Carson Valley Chamber of Commerce Las Vegas Metro Chamber of Commerce Nevada Manufacturers Association The Chamber of Reno, Sparks, and Northern Nevada
New Hampshire	Business & Industry Association of New Hampshire
New Jersey	Morris County Chamber of Commerce New Jersey Business & Industry Association New Jersey State Chamber of Commerce Newark Regional Business Partnership
New Mexico	Greater Albuquerque Chamber of Commerce
New York	Albany-Colonie Regional Chamber Buffalo Niagara Partnership JFK Airport Customs Brokers and Freight Forwarders Association Manhattan Chamber of Commerce North Country Chamber of Commerce Partnership for New York City Rochester Business Alliance The Business Council of New York State The Chamber of Schenectady County
North Carolina	Cabarrus Regional Chamber of Commerce Charlotte Chamber of Commerce Greater Raleigh Chamber of Commerce North Carolina Chamber North Carolina Farm Bureau Federation Wilmington Chamber of Commerce
North Dakota	Greater North Dakota Chamber
North Dakota/Minnesota	The Fargo Moorhead West Fargo Chamber of Commerce
Ohio	Ashland Area Chamber of Commerce Columbus Chamber of Commerce Dayton Area Chamber of Commerce Licking County Chamber of Commerce Lima/Allen County Chamber of Commerce Ohio Chamber of Commerce Ohio Farm Bureau Federation The Ohio Manufacturers' Association Willoughby Western Lake County Chamber of Commerce
Oklahoma	The State Chamber of Oklahoma Tulsa Regional Chamber
Oregon	Associated Oregon Industries Beaverton Area Chamber of Commerce Hermiston Chamber of Commerce Klamath County Chamber of Commerce Oregon State Chamber of Commerce Portland Business Alliance Wilsonville Area Chamber of Commerce

Pennsylvania	Chester County Chamber of Business and Industry Greater Pittsburgh Chamber of Commerce Greater Reading Chamber of Commerce & Industry Pennsylvania Business Council Pennsylvania Chamber of Business and Industry Pennsylvania Farm Bureau Federation Pennsylvania Manufacturers' Association Schuylkill Chamber of Commerce
Rhode Island	Greater Providence Chamber of Commerce Northern Rhode Island Chamber of Commerce Rhode Island Chamber of Commerce Coalition
South Carolina	Fountain Inn Chamber of Commerce Myrtle Beach Area Chamber of Commerce North Myrtle Beach Chamber of Commerce South Carolina Chamber of Commerce
South Dakota	Sioux Falls Area Chamber of Commerce South Dakota Chamber of Commerce and Industry
Tennessee	Clay County Chamber of Commerce Greater Memphis Chamber Johnson City Chamber of Commerce Kingsport Area Chamber of Commerce Tennessee Chamber of Commerce & Industry
Texas	Dallas Regional Chamber Fort Worth Chamber of Commerce Greater Beaumont Chamber of Commerce Greater Houston Partnership Greater Irving Las Colinas Chamber of Commerce Lewisville Area Chamber of Commerce Lubbock Chamber of Commerce North Texas Commission Port Aransas Chamber of Commerce/Tourist Bureau San Antonio Chamber of Commerce Texas Association of Business
Utah	Salt Lake Chamber Utah Manufacturers Association
Vermont	Associated Industries of Vermont Vermont Chamber of Commerce
Virginia	Dickenson County Chamber of Commerce Fairfax County Chamber of Commerce New Market Area Chamber of Commerce Virginia Chamber of Commerce Virginia Manufacturers Association
Washington	Association of Washington Business Bellevue Chamber of Commerce Bonney Lake Chamber of Commerce Economic Alliance Snohomish County Ferndale Chamber of Commerce Greater Pasco Area Chamber of Commerce Greater Spokane Incorporated Greater Yakima Chamber of Commerce Kittitas County Chamber of Commerce Seattle Metropolitan Chamber of Commerce Southwest King County Chamber of Commerce Tacoma-Pierce County Chamber Tri-City Regional Chamber of Commerce Washington Council on International Trade

West Virginia	West Virginia Chamber of Commerce West Virginia Manufacturers Association
Wisconsin	Eau Claire Area Chamber of Commerce Fox Cities Chamber of Commerce Metropolitan Milwaukee Association of Commerce Oshkosh Chamber of Commerce Wisconsin Farm Bureau Federation Wisconsin Manufacturers & Commerce
Wyoming	Campbell County Chamber of Commerce
National	American Farm Bureau Federation Business Roundtable National Association of Manufacturers National Black Chamber of Commerce U.S. Chamber of Commerce

cc: Members of the United States Congress

PREPARED STATEMENT OF HON. JACOB J. LEW, SECRETARY,
DEPARTMENT OF THE TREASURY

April 16, 2015

Chairman Hatch and Ranking Member Wyden, and distinguished members of the Committee, thank you for the opportunity to testify on Trade Promotion Authority. Bolstering global economic growth and stability remains a priority of the United States, and the U.S. Department of the Treasury has been working hard over the last six years to achieve a high-standard trade and investment agenda that raises income and spurs growth.

Our robust trade agenda—the cornerstones of which include the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership agreements—will expand opportunities for American businesses, create high-quality jobs, and further unlock the macroeconomic gains from expanded trade and investment.

Today, exports make up some 30 percent of global GDP, and global per-capita incomes are over 50 percent higher than what they were 20 years ago. These macroeconomic gains are due in part to the framework of bilateral, regional, and multilateral trade agreements that are in place and to institutions such as the World Trade Organization that have been developed to implement the rules-based trading system. The rules-based trading system facilitates greater openness to trade—boosting U.S. and global exports of goods and services and opportunities for American workers—even as it raises the standard of living for consumers, through greater choice and access to quality imports.

Much has changed in the way we trade and invest in the last 30 years. The growth of the services sector, the rise of electronic banking and commerce, and the major role of state-owned enterprises in some of the most dynamic regions of the world—altogether, these trends have expanded the sectors in which U.S. firms are investing and competing. At the same time, U.S. firms continue to face market access and fair competition challenges to operating, investing, and exporting overseas.

Reducing trade barriers and securing reforms abroad through well-crafted trade agreements benefit both U.S. economic competitiveness and global economic prosperity. First, our firms and workers stand to benefit directly as our partner countries further open their markets to imported goods and services, including from the United States. Second, as countries open up to trade, over time they innovate more, invest more, and become more productive; the result is a stronger and more stable global economy. That, too, is important for American businesses and workers.

TRADE PROMOTION AUTHORITY LEGISLATION

Trade Promotion Authority (TPA) is critical to helping secure the substantial economic gains that our ambitious trade and investment agreements can bring, including labor and environmental standards, consumer protections, and benefits for small and medium-sized businesses. There are few policy measures that can do more to support jobs and deliver sustained high-quality growth than trade agreements, and

TPA sends a strong signal to our trading partners that Congress and the Administration speak with one voice to the rest of the world on our priorities.

We strongly agree with Members of Congress that unfair currency practices need to be addressed. Since day one, the President has been clear that no country should grow its exports based on a persistently undervalued exchange rate, and currency has been at the top of Treasury's international agenda. We share the goal of moving major economies to market-determined exchange rate systems that are transparent, flexible, and reflect underlying economic fundamentals.

PROGRESS ON EXCHANGE RATE POLICIES

We are working tirelessly to address currency concerns, and our efforts through bilateral and multilateral engagement have met with considerable success:

We have secured unprecedented commitments in the G-7 and G-20 related to exchange rate practices. Through our leadership, Japan and other G-7 countries have publicly affirmed that they will not target exchange rates and will use only domestic instruments to achieve domestic economic objectives.

Likewise, G-20 members have also pledged to move more rapidly toward more market-determined exchange rate systems and flexibility in order to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments, not target exchange rates, and refrain from competitive devaluations.

We have successfully pressed the IMF to bolster its surveillance of its members' exchange rate policy obligations. As a result of our efforts, the IMF has begun publishing an External Sector Report that includes estimates of exchange rate misalignment for 25 major economies, and has developed an additional tool for monitoring countries' foreign exchange reserves.

We have made progress with China on exchange rates through the S&ED, and continue to raise the issue regularly with our Chinese counterparts. As part of our Strategic and Economic Dialogue (S&ED), China has committed to reduce its foreign exchange intervention as conditions permit—and the amount of China's currency intervention has fallen significantly in the last year. This has contributed to a decline in China's current account surplus from a peak of 10 percent of GDP before this Administration took office to just 2 percent of GDP last year. RMB has seen a real effective appreciation of nearly 30 percent since China allowed its currency to resume appreciation in mid-2010.

We will continue to intensify our efforts on exchange rates using the tools and channels that are most effective. We will build on our ongoing multilateral and bilateral engagement in the G-20, IMF, and U.S.-China Strategic and Economic Dialogue to press countries even harder towards more market-determined exchange rates and to secure strong commitments on currency disciplines.

We believe that more progress is needed, and Treasury will continue to engage with Congress on how best to address currency issues in a way that is consistent with our overall strategy of bilateral and multilateral engagement.

PREPARED STATEMENT OF RICHARD L. TRUMKA, PRESIDENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO)

April 21, 2015

Mr. Chairman, Senator Wyden, members of the committee, thank you for the opportunity to speak today on behalf of the twelve and a half million working men and women of the AFL-CIO on this important topic.

The labor movement and our allies have been advocating for a Raising Wages economy for many years. We don't believe we can build strong and sustainable economic growth on a foundation of stagnant wages and disempowered workers. And a key component of a Raising Wages economy is a new approach to trade and globalization—one that puts good jobs, safe products, and a clean environment at the center of global economic integration—not enhanced corporate power and profits.

The AFL-CIO has been advocating for a new trade policy for more than two decades—we have engaged with the executive branch, as well as with Congress, to advocate for progressively strengthening and making more effective our labor and environmental provisions, for reforming investment rules, for ensuring that we have

found the appropriate balance in regulatory measures and intellectual property protections, for fair rules of origin, and for finally including meaningful currency provisions in trade agreements, among many other issues.

Far from being “opposed to trade on principle,” we have supported trade deals when warranted, such as the U.S.-Jordan trade agreement and trade preference programs such as the African Growth and Opportunity Act (AGOA) and the Generalized System of Preferences (GSP). We have supported reauthorization of the Export-Import Bank. We have engaged with policymakers in both parties and at every level to work toward a new generation of trade policies that will create a virtuous cycle of demand-led growth while strengthening our democracy, protecting workers’ rights globally and promoting sustainable global economic development. Key to reforming our trade policies is abolishing the outdated, unaccountable, undemocratic fast track process.

For too long, decisions about trade policy have been made behind closed doors, with excessive secrecy. The secrecy tends to serve the policy interests of political and economic elites, not the broad interests of the American middle class. American workers, farmers, small and medium-sized businesses and domestic producers have paid the price.

The stakes could not be higher. The Trans-Pacific Partnership (TPP), now being negotiated by our government, includes twelve countries and about 40 percent of the world economy. It is designed to be infinitely expandable—that means that additional countries could join in the future, subject to congressional approval and as long as they agree to the original terms negotiated. TPP could be the last trade agreement we negotiate, so it is especially crucial that we get the terms right.

The idea that fast track lets Congress set the standards and goals for the TPP is a fiction—the agreement has been under negotiation for more than five years and is essentially complete. Congress cannot set meaningful negotiating objectives in a fast track bill if the administration has already negotiated most of the key provisions. And Congress will lose crucial leverage over any few remaining provisions by agreeing to fast track at this late date.

To update our trade and economic policies for the 21st century, we must change the process that governs the negotiation and passage of trade deals. Today’s “trade” agreements are about much more than tariffs and quotas. They affect foreign and domestic investment, financial services, food safety, labor rights, environmental protections, Buy American procurement policies, consumer safety, health care, and more. These agreements put in place rules that could limit the ability of Congress and the states to legislate in the public interest now and for decades to come. Yet the public and Congress have too little say in the important details of these deals.

Through fast track, past Congresses have ceded authority over trade policy to the executive branch with virtually no strings attached. While all fast track bills have gone through the charade of listing “negotiating objectives,” there have been no consequences when the administration willfully ignores or fails to achieve any or all of these. Fast track has failed to include meaningful accountability mechanisms, including tools to turn off expedited consideration when warranted. This cedes important and long-lasting decisions about our economy to a few negotiators in a small room in the middle of the night. This is undemocratic. It’s wrong. And it has led to disastrous policies for America’s workers and producers.

America needs an entirely new trade negotiating authority, not minor tweaks at the margin.

The Hatch-Wyden-Ryan Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (Fast Track 2015) does not represent a new form of trade negotiating authority. It doesn’t meet a single criterion set out by the AFL-CIO in its publication “Time for a New Track.”

Congress must not agree to fast track a fast track bill. The short time allotted between introduction of the bill, hearings, committee consideration, and floor action is a sign that this bill cannot stand on its own merits. It is losing support fast. It seems that its proponents see their only hope for passage is to rush it through before anyone has had a chance to review it properly. The American people deserve better.

A new and effective trade negotiating authority must:

- **Ensure Congress approves trade agreement partners before negotiations begin:** Congress should be able to weigh in on whether countries (includ-

ing those that suppress their wages through allowing or engaging in serious labor and human rights abuses) are appropriate partners to receive permanent trade benefits. If Congress does not agree with the choice of trade partners, it ought to be able to deny expedited consideration to agreements that include them. Fast Track 2015 contains not a single opportunity for Congress to reject an administration's proposed trading partners.

- **Create negotiating objectives that are specific to the trade partners involved:** Even though the U.S. has amassed historic trade deficits over the last 20 years and is currently negotiating the TPP with partners that have histories as labor and human rights abusers, currency manipulators, over-fishers, or transshipment hubs, Fast Track 2015 fails to tailor objectives to the unique situations in the eleven countries involved.
- **Ensure that Congress, not the executive branch, determines whether Congressional trade objectives have been met:** Fast Track 2015 fails to include an effective accountability mechanism to ensure that Congressional instructions are carried out, leaving the executive branch in the position of essentially grading its own performance. Not surprisingly, no executive branch has ever confessed failure to meet Congress's goals. Congress should have the final say on whether negotiating objectives have been met. It could employ a variety of tools to help evaluate the deal, for instance by requiring reports from the Government Accountability Office, Congressional trade advisors, or from all Congressional committees whose jurisdiction would be impacted by the topics covered by the trade deal in question. Open hearings would help shed considerable light on the completed deals and help Congress to determine if its objectives were fulfilled.

On the other hand, an evaluation process solely in the hands of the committees responsible for trade policy (Finance and Ways and Means) won't provide a reliable measurement. It is widely conceded that neither committee is representative of the opinions of the larger body of Congress when it comes to trade.

- **Ensure Congress has effective opportunities to strip expedited consideration provisions from trade deals that fail to meet Congressional objectives or to incorporate Congressional and public participation:** Fast track, even if it had perfect negotiating objectives, has never provided Congress a realistic opportunity to withdraw expedited consideration from deals that fail to measure up. For reasons noted above, the process cannot be left solely in the hands of the committees responsible for trade, as Fast Track 2015 does. The rest of Congress would have to rely on these committees to reject the trade deal first (an extremely unlikely possibility given the makeup of the panels) and only then attempt to strip expedited consideration from the deal. Leaving the decision solely in the hands of these committees provides no effective opportunity to "strip expedited consideration" from a job-killing deal.

Nor should the process set impossibly high supermajority vote thresholds, which Fast Track 2015 also does, by requiring 60 votes in the Senate to strip fast track from a bad deal when only 51 are required to vote the deal down. If fast track privileges can be granted to a trade agreement on a simple majority vote, it should be possible to remove the privileges with a simple majority vote. To be clear, the goal of this criterion is not to subject a trade deal and its implementing legislation to an unwieldy process. It is to ensure that bad deals go back to the negotiating table instead of becoming bad laws.

- **Increase access to U.S. trade policymaking, trade proposals, and negotiating text for Congress, congressional staff, and the public:** Fast Track 2015 simply locks in current USTR practice, which is unacceptable. Instead, Congress should broadly expand the universe of those who have access to U.S. proposals and full negotiating texts (optimally, full negotiating texts should be available to the public). The 21st century is the Internet age—citizens are accustomed to viewing proposed and amended legislation on line. Trade policy should be no different. While USTR analogizes sharing trade proposals to showing a used car salesman one's bottom line at the outset of negotiations, this analogy is inapt. Neither USTR, nor any other rational negotiating partner, would put its bottom line in its first proposal; and after the proposal has been shared with the negotiating partner, any possible justification for keeping it secret is moot.
- **Be part of a larger trade and competitiveness package that addresses shortcomings in existing trade enforcement and remedies and provides**

complementary domestic economic policies that will help ensure that all can benefit from trade: Fast Track 2015 contains not a single piece of domestic economic reform to help America's working families thrive under expanded trade. Trade is not a substitute for investing in our own future. To work, trade deals require thoughtful complementary policies, including upgrading our ports, airports, roads and rail; investing in education and skills training so that workers young and old can benefit from any new jobs that trade creates; labor market policies that support working families; renewal of export promotion initiatives, including the Export-Import Bank; extending tax policies to promote advanced manufacturing, renewable fuels, and R&D; and fully funding well-designed and easy to use enforcement mechanisms to catch and deter trade cheats. Enacting trade deals without upgrading our domestic economy will only lead to more disappointing deals that undermine jobs and wages for U.S. workers and exacerbate the race to the bottom.

In short, the proposed fast track mechanisms are inadequate to ensure that the major shortcomings in the TPP will be resolved in ways that will benefit, rather than harm, working people in the U.S. and around the Pacific Rim. Among the numerous issues, the top four remain:

Currency: Addressing currency manipulation is probably the single most effective action the U.S. can take to create jobs. The fact that currency provisions continue to be absent from the TPP is disturbing on two fronts: it is both a glaring policy omission and a procedural concern. In the absence of existing fast track legislation, the one trade-related issue on which bipartisan majorities of the House and Senate have spoken clearly is currency. Misaligned currency is an important contributing factor to the U.S. trade imbalance with China and other nations. The Economic Policy Institute estimates the U.S. could add as many as 5.8 million jobs by eliminating currency manipulation. Provisions must be included in the TPP, and they must be enforceable. Otherwise, the U.S. will continue to bleed jobs to China and other currency manipulators.

Investment: To ensure that the TPP does not skew benefits toward global corporations, it should eliminate Investor-State Dispute Settlement (ISDS). ISDS undermines democratic control, and is currently being used to attack public health policies in Australia and Uruguay, environmental policies in Canada and Peru, and labor provisions in Egypt. Rather than challenge actual takings or discriminatory policies, global firms use ISDS to seek compensation for a violation of the nebulous right to "fair and equitable treatment," which the private arbitrators have interpreted expansively. ISDS creates a chilling effect on local, state, and national measures and poses an unjustifiable risk to our democracy and economy.

Climate: Currently, U.S. trade policy could undermine both domestic efforts to address climate and the administration's bilateral agreement with China to cooperate on climate change and clean energy. Unless the TPP sets the bar in line with the recent bilateral agreement with China, it represents a missed opportunity. Without a border adjustment—to adjust the cost of highly polluting imports so that low-emission U.S. and high-emissions foreign goods can fairly compete—the TPP will do nothing to stop manufacturers from closing up shop in the U.S. and moving to TPP countries with no carbon reduction scheme in order to sell cheaper, dirtier goods here and around the globe, undercutting not only our workers but our efforts to address climate change.

Labor: The labor movement has been clear from the outset of the TPP talks that the status quo on labor (the so-called "May 10" agreement) needed further strengthening. The "May 10" standards were a first step towards leveling the playing field for workers, but did too little to ensure timely and effective action. In 2011, the AFL-CIO joined with labor federations from the majority of TPP countries to draft and submit a comprehensive labor chapter that attempted to address past shortcomings. To the best of our knowledge, this new model has not been incorporated into the agreement. We have no reason to believe that, despite being touted as including the "highest labor standards ever," the TPP will include meaningful improvements over "May 10." The problem with language such as "highest labor standards ever" is that the point of comparison is so low—even after the highly touted "Labor Action Plan" in Colombia, workers continue to be killed, beaten, and threatened for exercising basic rights like organizing with fellow workers for better wages and working conditions.

Indeed, the TPP may be too complex to stake out a position "for" or "against" without careful consideration of its voluminous text, a careful study of the im-

pacts of prior, similarly structured agreements, and broad consultations with legal experts from a variety of points of view who have also had an opportunity to study the texts. Such discussion, study, and thorough evaluation seems unlikely given the current level of secrecy surrounding the text. Moreover, it seems even less likely to occur should Congress accede to fast track authority, which will severely limit the time that Congress and outside experts may study the text before a simple up-or-down vote is required. Finally, should Congress decide that, while the TPP contains some beneficial provisions, on balance it presents a risk to the firms, families, and communities of the United States, Congress may already have lost much of its leverage to force improvements in the deal.

In sum, to get the TPP right, Congress faces consequential choices that, for the good of the country, should not be constrained by the misguided secrecy, speed, and unaccountability of fast track. To best safeguard the authority over trade policy given to Congress by the Constitution, the AFL-CIO urges Congress to reject the outdated and undemocratic process known as fast track and develop instead a new trade negotiating authority for the 21st century.

SUBMITTED FOR THE RECORD BY RICHARD L. TRUMKA

United States Senate

Washington DC 20510

January 8, 2014

President Barack Obama
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

Following the conclusion of another round of Trans-Pacific Partnership (TPP) negotiations, we write to reiterate our serious concern that strong and enforceable currency disciplines have not yet been addressed in the ongoing negotiations and may not be included in the final agreement. A well-negotiated TPP has the potential to help American businesses and workers, but an agreement that fails to address foreign currency manipulation could further harm the United States economy by leading to a permanent unfair trade relationship.

Our concern regarding the impact of foreign currency manipulation on America's workers and our economy is not new and is shared by the vast majority of our colleagues. In June, 230 Members of the House of Representatives wrote to you and said "it is imperative that the agreement address currency manipulation." Then, in September, 60 Senators sent a similar letter to Secretary Lew and Ambassador Froman asking that TPP and all future trade agreements "include strong and enforceable foreign currency manipulation disciplines to ensure that these agreements meet the 'high standards' our country, America's companies, and America's workers deserve."

Thus far, United States trade negotiators have failed to propose currency disciplines in any TPP negotiating rounds, and our written concerns have gone unanswered. As you know, Congress ratifies free trade agreements, and we expect our concerns to be addressed in a strong and effective manner. On behalf of the 290 Members of Congress who expect foreign currency manipulation to be addressed in our trade agreements, please update us on what is being done to address our concerns.

As we stated before, we agree with your goal that TPP should achieve "high standards worthy of a 21st century trade agreement." However, we cannot conclude a truly ambitious trade agreement without the inclusion of strong and enforceable currency provisions. We believe the Administration has had adequate time not only for internal deliberations about such provisions, but also to negotiate them with our trading partners. Likewise, there exists significant congressional support for including currency manipulation provisions in TPP. We look forward to working with you to meaningfully address currency manipulation and to make TPP a truly 21st century trade agreement.

Sincerely,

Lindsey Graham
 Rob Portman
 Jeff Merkley
 Christopher Murphy
 John Boozman
 Elizabeth Warren
 Al Franken
 John D. Rockefeller IV
 Barbara A. Mikulski
 Benjamin L. Cardin
 Mark Begich
 Roy Blunt
 Edward J. Markey
 James M. Inhofe
 Jeff Sessions
 Kirsten E. Gillibrand
 Saxby Chambliss
 Robert P. Casey, Jr.
 Jack Reed
 Tom Harkin
 Tammy Baldwin
 Joe Donnelly
 Mark Pryor
 Sheldon Whitehouse
 Sherrod Brown
 Susan M. Collins
 Brian Schatz
 Mazie Hirono
 Pat Roberts
 Kay R. Hagan

Debbie Stabenow
 Ron Wyden
 Tom Udall
 Amy Klobuchar
 Charles E. Schumer
 Joe Manchin III
 Robert Menendez
 Heidi Heitkamp
 Claire McCaskill
 Jeanne Shaheen
 Christopher A. Coons
 Carl Levin
 Richard Burr
 Jerry Moran
 Patrick Leahy
 Daniels Coats
 James E. Risch
 John Hoeven
 Martin Heinrich
 Bill Nelson
 Richard Blumenthal
 David Vitter
 Bernard Sanders
 Jon Tester
 Angus S. King, Jr.
 Dick Durbin
 Mary L. Landrieu
 Chuck Grassley
 Barbara Boxer
 Tom Coburn

Congress of the United States
Washington DC 20515

June 6, 2013

President Barack Obama
 The White House
 Washington, DC 20500

Dear President Obama:

As the United States continues to negotiate the Trans-Pacific Partnership, it is imperative that the agreement address currency manipulation. Exchange rates strongly influence trade flows, and, in recent years, currency manipulation has contributed to the U.S. trade deficit and cost us American jobs. Incorporating currency provisions in the agreement will strengthen our ability to combat these unfair trade practices and help to create a level playing field for American workers, businesses, and farmers.

Undervalued exchange rates allow other countries to boost exports or their products and to impede exports of ours. They also contribute to trade imbalances and market access limitations that make it difficult for U.S. companies to compete in foreign countries. According to the Peterson Institute for International Economics, a minimum of 1 million American jobs have been shipped overseas as a result of currency manipulation alone. The consequences are not singular to the U.S.; misaligned currencies are distorting the entire global economy.

Despite U.S. efforts to address currency manipulation at the G-20, major currencies remain significantly undervalued. Including currency disciplines in the TPP is consistent with and will bolster our ongoing efforts to respond to these trade-distorting policies. It will also raise TPP to the 21st century agreement standard set by the Administration. More importantly, it will create a level playing field for American businesses and workers and prevent more U.S. jobs from being shipped overseas.

Thank you for your consideration of this letter. We look forward to working with you to address undervalued exchange rates in the TPP agreement.

Sincerely,

MICHAEL H. MICHAUD
Member of Congress

JOHN D. DINGELL
Member of Congress

SANDER M. LEVIN
Member of Congress

JOHN CONYERS, JR.
Member of Congress

WALTER B. JONES
Member of Congress

TIM RYAN
Member of Congress

GARY C. PETERS
Member of Congress

HOWARD COBLE
Member of Congress

MO BROOKS
Member of Congress

DAVID LOEBSACK
Member of Congress

JERROLD NADLER
Member of Congress

STEVE COHEN
Member of Congress

JOYCE BEATTY
Member of Congress

ROSA L. DeLAURO
Member of Congress

MICHAEL E. CAPUANO
Member of Congress

GEORGE MILLER
Member of Congress

PETER J. VISCLOSKEY
Member of Congress

WILLIAM L. OWENS
Member of Congress

GENE GREEN
Member of Congress

CHRIS COLLINS
Member of Congress

PAUL TONKO
Member of Congress

GWEN MOORE
Member of Congress

DANIEL T. KILDEE
Member of Congress

JOHN A. YARMUTH
Member of Congress

DAVID N. CICILLINE
Member of Congress

SAM GRAVES
Member of Congress

RICK CRAWFORD
Member of Congress

MARK POCAN
Member of Congress

DAVID P. JOYCE
Member of Congress

DANIEL LIPINSKI
Member of Congress

MARCY KAPTUR
Member of Congress

JAMES P. McGOVERN
Member of Congress

BILL FOSTER
Member of Congress

CAROL SHEA-PORTER
Member of Congress

JANICE D. SCHAKOWSKY
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BETTY McCOLLUM
Member of Congress

HENRY C. JOHNSON, JR.
Member of Congress

MICHAEL F. DOYLE
Member of Congress

PATRICK T. McHENRY
Member of Congress

MIKE McINTYRE
Member of Congress

SCOTT H. PETERS
Member of Congress

WILLIAM L. ENYART
Member of Congress

KEITH ELLISON
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STEPHEN F. LYNCH
Member of Congress

LINDA T. SÁNCHEZ
Member of Congress

ERIC SWALWELL
Member of Congress

PETER WELCH
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H. MORGAN GRIFFITH
Member of Congress

BRUCE L. BRALEY
Member of Congress

NICK J. RAHALL II
Member of Congress

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CORRINE BROWN Member of Congress	GREGG HARPER Member of Congress
RAÚL M. GRIJALVA Member of Congress	CHRISTOPHER P. GIBSON Member of Congress
EDDIE BERNICE JOHNSON Member of Congress	KERRY L. BENTIVOLIO Member of Congress
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CANDICE S. MILLER Member of Congress	MICHAEL G. FITZPATRICK Member of Congress
ELEANOR HOLMES NORTON Member of Congress	MARCIA L. FUDGE Member of Congress
ROBERT A. BRADY Member of Congress	BRIAN HIGGINS Member of Congress
DANIEL B. MAFFEI Member of Congress	DONALD M. PAYNE, JR. Member of Congress
ALCEE L. HASTINGS Member of Congress	CHELLIE PINGREE Member of Congress
BILL JOHNSON Member of Congress	ALLYSON Y. SCHWARTZ Member of Congress
PATRICK MEEHAN Member of Congress	DONNA F. EDWARDS Member of Congress
BILL HUIZENGA Member of Congress	ANN KIRKPATRICK Member of Congress
JAMES R. LANGEVIN Member of Congress	CHERI BUSTOS Member of Congress
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JOSÉ E. SERRANO Member of Congress	KAREN BASS Member of Congress
GRACE MENG Member of Congress	TONY CÁRDENAS Member of Congress
JANICE HAHN Member of Congress	BARBARA LEE Member of Congress
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LUIS V. GUTIERREZ Member of Congress	MARK TAKANO Member of Congress
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ADAM KINZINGER Member of Congress	COLLIN C. PETERSON Member of Congress
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Member of Congress

JULIA BROWNLEY
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Member of Congress

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Member of Congress

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JOSEPH P. KENNEDY III
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WILLIAM LACY CLAY
Member of Congress

DON YOUNG
Member of Congress

JUDY CHU
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MIKE QUIGLEY
Member of Congress

ADAM B. SCHIFF
Member of Congress

ROB BISHOP
Member of Congress

LLOYD DOGETT
Member of Congress

DAVID SCOTT
Member of Congress

MARC A. VEASEY
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TIMOTHY H. BISHOP
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G.K. BUTTERFIELD
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RON BARBER
Member of Congress

RUSH HOLT
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LOIS CAPPS
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WILLIAM R. KEATING
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NIKI TSONGAS
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ROBERT E. ANDREWS
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DEREK KILMER
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JACKIE SPEIER Member of Congress	PATRICK E. MURPHY Member of Congress
STEVE ISRAEL Member of Congress	KATHY CASTOR Member of Congress

ED PERLMUTTER
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THOMAS E. PETRI
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GERALD E. CONNOLLY
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JIM MATHESON
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ANNA G. ESHOO
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CHRIS VAN HOLLEN
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JIM COOPER
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SUSAN A. DAVIS
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ADAM SMITH
Member of Congress

RICK LARSEN
Member of Congress

DENNY HECK
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EARL BLUMENAUER
Member of Congress

JOHN B. LARSON
Member of Congress

Committee on Ways and Means

Ranking Member Sander M. Levin

April 16, 2015

The Hatch-Wyden-Ryan TPA Bill: A Major Step Back on TPP Negotiations

The Trans-Pacific Partnership (TPP) negotiations—the most important trade negotiations in at least 20 years—are at a critical juncture—with many issues unresolved. TPP has the potential to raise standards and open new markets for U.S. businesses, workers, and farmers—or to lock in weak standards, uncompetitive practices, and a system that does not spread the benefits of trade.

Unfortunately, the Hatch-Wyden-Ryan Trade Promotion Authority (TPA) does not move us toward a stronger TPP agreement that will garner broad, bipartisan support in Congress. TPP is not where it needs to be right now, and Hatch-Ryan-Wyden does nothing to change that. On all of the major issues in the negotiations, the negotiating objectives are obsolete or woefully inadequate. We can't expect to get the best deal if we are not asking for the right things.

The Hatch-Wyden-Ryan TPA gives up Congressional leverage at the exact wrong time. Instead of pressing USTR to get a better agreement or signaling to our negotiating partners that Congress will only accept a strong agreement, the Hatch-Wyden-Ryan TPA puts Congress in the back seat and greases the skids for an up-or-down vote after the fact. Real Congressional power is not at the end of the process, it is right now when the critical outstanding issues are being negotiated.

Below is a brief review of the major outstanding issues in TPP, and how the Hatch-Wyden-Ryan TPA bill fails to instruct the Administration on how each issue should be resolved.

How the TPA Bill is a Major Step Back in Improving TPP Negotiations

Currency Manipulation

Issue: Majorities in the House and the Senate have urged the Administration to include strong and enforceable currency obligations in the TPP, which includes a number of countries that have manipulated their currencies in the recent past, such as Japan. Other alleged manipulators, such as Korea and Taiwan, have also expressed an interest in joining TPP.

Status: The Administration has not made a currency proposal in the TPP negotiations.

TPA ↓ The Hatch-Wyden-Ryan TPA bill **leaves it up to the Administration** to decide how to address currency manipulation, and only lays out options that the President already has to address the issue—including things like “monitoring” that are already being done.

Labor Rights

Issue: Will all TPP parties meet international worker rights standards?

Status: TPP does not yet have a mechanism to ensure compliance by TPP parties that have labor laws and practices that fall far short of international standards contained in the “May 10th Agreement” even though TPP is expected to include the May 10th obligation with enforceability through the basic dispute settlement structure in TPP.¹

Vietnam presents the greatest challenge we have ever had in ensuring compliance. Workers there are prohibited from joining any union independent of the communist party. While the Administration is discussing these issues with Vietnam, Members of Congress and stakeholder advisors have not yet seen any proposal to address these critical issues. The Administration also has not committed to ensuring that all changes to laws and regulations are made before Congress votes—or even before the TPP agreement enters into force.

Mexico also presents considerable challenges. Employer-dominated “protection unions” are prevalent, and the arbitration boards responsible for resolving labor disputes are inherently and structurally biased. It is not clear whether, how, or when the Administration will resolve these and other issues with Mexico. Without their resolution, it will not be possible to say that the problems with NAFTA are being fixed.

TPA ↓ The Hatch-Wyden-Ryan TPA bill **does not address** what Congress believes needs to be done to bring countries like Vietnam and Mexico (as well as Malaysia and Brunei) into compliance with international labor standards. It contains only general language in line with the May 10th Agreement.²

Environment

Issue: Will the TPP environmental chapter ensure a level of environmental protection at least as high as the May 10th standard which directly incorporated seven multilateral environmental agreements into the text of past trade agreements?

Status: The TPP environment chapter will look very different from the May 10th Agreement. The environment chapter covers a broad range of subjects, ranging from shark finning, to fish subsidies, to trade in illegally harvested plants and animals. But the obligations themselves—the “verbs” used—are often weak.

TPA ↓ The Hatch-Wyden-Ryan TPA bill simply lists the seven multilateral environmental agreements from the May 10th Agreement, which is not consistent with the approach taken in TPP and **is obsolete** in providing instructions since the TPP is already taking a different approach. The TPA bill also does not address whether or how climate change issues should be handled in TPP, an issue raised by other countries in the TPP negotiations.

Investment and Investor-State Dispute Settlement (ISDS)

Issue: Will the TPP include an investor-state dispute settlement (ISDS) mechanism that provides foreign companies a right of action against other governments for infringing on the companies’ investment rights? Will the TPP include an ISDS mechanism without incorporating any new, additional safeguards to prevent it from being abused?

¹The “May 10th Agreement” of 2007, as initiated by House Democrats, incorporated for the first time in history strong and fully enforceable labor and environmental obligations in trade agreements and included several other important new rules, including providing a better balance between strong intellectual property rights and access to affordable medicines.

²The TPA bill lumps together labor and environment into one negotiating objective.

There are now more cases of private investors challenging environmental, health, and other regulations in nations—even nations with strong and independent judicial systems and rule of law. Just last month, an investor won a NAFTA ISDS case in which the government of Nova Scotia denied a permit to develop a quarry in an environmentally sensitive area. Other investment disputes involve “plain packaging” of tobacco products in Australia aimed at protecting public health and pharmaceutical patent requirements in Canada. This issue is receiving heightened scrutiny among negotiators and from a broad-range of interested parties. Some of our TPP partners do not support ISDS or are seeking safeguards to ensure that nations preserve their right to regulate. The Economist magazine, the Cato Institute, and the Government of Germany (the birthplace of ISDS) have also recently expressed concerns with ISDS.

Status: The text of the investment chapter in TPP includes ISDS and is basically the same as the model adopted 10 years ago, even though conditions have changed dramatically in the past 10 years, and calls for changes to or elimination of the chapter have intensified. Despite proposals to include new safeguards in the ISDS mechanism, the Administration has not made any attempts to incorporate them.

TPA ↓ The Hatch-Wyden-Ryan TPA investment negotiating objective is the same as it was 12 years ago again and **is obsolete**.

Access to Medicines

Issue: Will the TPP ensure a balance between strong intellectual property rights and access to affordable, life-saving medicines, as provided under the May 10th Agreement?

Status: Absent some change in course, the final text is likely to provide less access to affordable medicines than provided under the May 10th Agreement. For example, developing countries will likely be required to “graduate” to more restrictive intellectual property rights standards before they become developed—a clear inconsistency with May 10th. There are also a number of concerns that the TPP agreement will restrict access to medicines in the United States and other developed countries (e.g., by encouraging second patents on similar products, by having long periods of data exclusivity for biologic medicines, by allowing drug companies to challenge government pricing and reimbursement decisions).

TPA ↓ The Hatch-Wyden-Ryan bill includes additional language on access to medicines that was not part of the 2002 bill, apparently as a nod to the May 10th Agreement. But it is unclear what this language means.

Automotive Market Access

Issue: Will the TPP finally open Japan’s market to U.S. automobiles and auto parts?

For most of the past 15 years, our trade deficit with Japan has been second only to our deficit with China, and over two-thirds of the current deficit is in automotive products. Japan has long had the most closed automotive market of any industrialized country, despite repeated efforts by U.S. negotiators over decades to open it. At a minimum, the United States should not open its market further to Japanese imports, through the phase-out of tariffs, until we have time to see whether Japan has truly opened its market.

Status: The Administration has not stated a specific period of time for when the phase-out in U.S. tariffs for autos, trucks, and auto parts would begin or when they would end. The parties are also still working to address certain non-tariff barriers that Japan utilizes to close their market.

TPA ↓ The Hatch-Wyden-Ryan TPA bill broadly states that the United States should “expand competitive market opportunities for exports of goods.” Such a broad negotiating objective **provides no guidance** regarding how to truly open the Japanese automotive market.

Rules of Origin

Issue: Will the TPP incorporate rules that ensure that the benefits of the tariff cuts flow primarily to the parties to the agreement and not to free-rider third parties that have not signed up for the commitments in the TPP?

“Rules of origin” define the extent to which inputs from outside the TPP region (e.g., China) can be incorporated into an end product for that product to still be entitled to preferential/duty-free treatment under the Agreement. The rule should be restrictive enough to ensure that the benefits of the agreement accrue to the parties to the agreement. Some have argued that the automotive rule of origin in TPP should be at least as stringent as the rule in NAFTA, given that TPP involves all three of the NAFTA countries plus nine others.

Status: There are a number of rules of origin being negotiated in the TPP for different products, including in the sensitive textile and apparel, agricultural, and automotive sectors. Some of the rules are largely settled while others—including the rules for automotive products—remain open and controversial.

TPA ↓ The Hatch-Wyden-Ryan TPA bill **provides no guidance** whatsoever on any rule of origin on any product in the TPP negotiations.

Tobacco Controls

Issue: Will the TPP safeguard countries’ ability to regulate tobacco as a matter of public health?

TPP needs to explicitly preserve the ability to regulate tobacco. A number of recent international disputes have challenged tobacco measures, including multiple disputes (both WTO and ISDS) challenging Australia’s plain packaging scheme for cigarettes. A number of public health groups are concerned about the potential of FTAs to roll back legitimate tobacco control measures.

Status: In 2013, the Administration decided not to pursue a safe harbor for tobacco in TPP that it had originally supported. Instead, the Administration tabled a proposal that merely confirms that tobacco measures may be subject to the normal public health exception in our trade agreements—drawing intense criticism from former mayor Bloomberg, the New York Times editorial board, and NGOs.

TPA ↓ The Hatch-Wyden-Ryan TPA bill **provides no guidance** on tobacco control measures, given the Administration the flexibility to include whatever it wants, or nothing at all.

State-Owned Enterprises

Issue: Will the TPP impose rules on companies effectively run and funded by their governments, so that truly private enterprises can compete with them on a level playing field?

In today’s global economy, competition is fiercer than ever. Certain countries that rely heavily on state-controlled and state-funded enterprises (also known as state-owned enterprises or SOEs) are able to give those champions an enormous—and unfair—advantage over private companies that compete against them in the marketplace. And, in turn, those SOEs don’t always operate based on commercial considerations, but instead may pursue state objectives such as favoring local suppliers over U.S. suppliers.

Status: The TPP will include disciplines on SOEs that are expected in language to go beyond anything ever included in past trade agreements. But the extent to which an SOE provision will help to level the playing field, will be determined by the degree to which parties seek very broad country-specific carve-outs for particular SOEs. As concerning, the definition of SOEs is too narrow, allowing enterprises that are effectively controlled by foreign governments (but where the government owns less than 50% of the shares) to circumvent the obligations.

TPA ↓ The TPA bill **provides no guidance** on what an acceptable definition of an SOE is, or on what kinds of carve-outs are acceptable.

Agricultural Market Access

Issue: Will the TPP eliminate tariffs on virtually all U.S. agricultural exports, especially in markets that have been traditionally sheltered from competition from trade like Japan’s and Canada’s?

Status: It appears that the United States and Japan will agree that Japan will reduce tariffs—but never eliminate them—on hundreds of agricultural products, far more carve-outs than under any U.S. trade agreement in the past.

Canada, on the other hand, has not put any offer on the table for dairy products, which is causing some concern in the dairy industry. This concern is even stronger given that the dairy industry is not entirely pleased with the status of the Japan negotiations, plus the fact that the industry is concerned about an increase in dairy imports from New Zealand. Finally, the dairy industry is also closely watching the negotiations over “geographical indications” as it relates to cheeses and other dairy products.

TPA ↓ The Hatch-Wyden-Ryan TPA bill has as its objective “reducing or eliminating” tariffs on agricultural products. (Emphasis added.) Thus, even Japan’s opening offer—to reduce but never eliminate tariffs on nearly 600 products—satisfied this objective, demonstrating **this objective is meaningless**. And while former Chairman Camp said that Japanese “exclusions from tariff elimination translate to Congressional opposition,” the bill does not mention comprehensive tariff elimination even as a negotiating *objective*, much less as a requirement.

Food Safety Measures

Issue: Will the TPP safeguard the ability of regulators to block unsafe imported food while also ensuring that U.S. agricultural exporters are not subjected to bogus food safety measures?

Status: TPP will be the first U.S. trade agreement that will include restrictions on the kind of measures TPP parties can take to block food imports based on alleged safety concerns, reflecting growing, legitimate concerns of U.S. farmers and ranchers.

We have asked the Administration to confirm that existing U.S. laws, regulations and practices will not be impacted by these obligations. There is also a concern that we do not have adequate resources to monitor the safety of food imports.

TPA ↓ The Hatch-Wyden-Ryan TPA bill requires the President to report on any changes to U.S. labor laws or practices necessary to comply with the labor obligations in a trade agreement. It has no similar provision regarding changes to U.S. food safety laws or practices, nor does it ensure adequate resources to monitor the safety of food imports.

The Basic Structure of Hatch-Wyden-Ryan is Flawed

In addition to the obsolete or weak negotiating objectives, the Hatch-Wyden-Ryan TPA does not strengthen the role of Congress once its power is ceded through TPA.

For example:

- ↓ Hatch-Wyden-Ryan relies on the President to certify whether his negotiators have met the negotiating objectives that Congress set. It is unacceptable to rely upon a President—who negotiated the agreement—to issue a statement “asserting that the agreement makes progress in achieving” Congressional negotiating objectives.
- ↓ Hatch-Wyden-Ryan includes a provision that “creates a new mechanism for the removal of expedited procedures for a trade agreement if, in the judgment of either the House or Senate, that agreement does not meet the requirements of TPA.” *But this is authority that the House and Senate already hold.* We can always change the rules of the House. Indeed, House Democrats did that when we removed the Bush-negotiated Colombia Free Trade Agreement from “fast-track” procedures in 2008. The so-called “third process” would happen after the agreement is finalized and after the implementing legislation is introduced further indicated how meaningless it is in providing Congress a real role in the negotiations.
- ↓ Hatch-Wyden-Ryan leaves it up to USTR “to develop within 120 days of enactment written guidance on enhanced coordination with Congress” which is particularly meaningless given the status of TPP negotiations.

PREPARED STATEMENT OF HON. TOM VILSACK, SECRETARY,
DEPARTMENT OF AGRICULTURE

April 16, 2015

Mr. Chairman, members of the Committee, I am pleased to come before you today to discuss the benefits of agricultural trade, trade agreements, and Trade Promotion Authority (TPA) for America's farmers, ranchers, and producers.

The Administration fully supports passage of bipartisan TPA legislation. Securing TPA is a top USDA priority. That is why I have been speaking publicly and sending USDA officials to roundtables around the country to make the case for a trade agenda that merits strong bipartisan support. TPA is a linchpin in finalizing trade agreements that strengthen the U.S. economy through expanding exports, which are critically important to the U.S. agricultural sector.

Fiscal years 2009 to 2014 represent the strongest six years in history for U.S. agricultural trade, with U.S. agricultural exports totaling \$771.7 billion. Agricultural exports last fiscal year reached \$152.5 billion, the highest level on record. U.S. agricultural exports support more than one million jobs across America. These numbers would not be possible without the market access secured in trade agreements.

Access to export markets is vital to U.S. agriculture. Our producers rely on and prosper from access to foreign markets. We export:

- About half of U.S. wheat, milled rice, and soybean production;
- Over 60 percent of almond, walnut and pistachio production;
- More than two-thirds of cotton production;
- 40 percent of grape production, 20 percent of cherry production and 20 percent of apple production;
- 20 percent of poultry and pork production and 10 percent of beef production.

Population growth and rising incomes—particularly in the developing countries of the Asia-Pacific—are creating significant new agricultural export opportunities. U.S. farmers, ranchers, and food processors are well positioned to capitalize on growing global demand, especially since the productivity of U.S. agriculture is growing faster than domestic food and fiber demand. But to capitalize, we need to break down tariff and non-tariff barriers to allow our agricultural sector to compete on a level playing field. Eight former Secretaries of Agriculture agree. That is why they recently wrote to you noting that it is critical for U.S. agriculture that Congress passes a bipartisan TPA. The former Secretaries noted how each of them worked hard to open foreign markets and support trade agreements that help U.S. farmers, ranchers, and producers thrive.

Despite our export successes, many other countries' markets are not as open to American products as our markets are to theirs. Trade agreements are the most effective way to eliminate foreign tariffs, unscientific regulatory barriers, and bureaucratic administrative procedures designed to block trade. Trade agreements lead to expanded agricultural exports by promoting economic growth, removing trade barriers and import duties, and developing mutually beneficial trade rules.

Key to our ability to negotiate and implement market-opening agreements has been enactment of trade negotiating authority. TPA ensures that the United States has the credibility to conclude the best deal possible at the negotiating table. TPA ensures common trade agreement objectives between the President and the Congress, and appropriate consultation prior to final Congressional approval or disapproval of a trade agreement. TPA will signal to Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP) negotiation counterparts that Congress and the Administration stand together on the high standards we are seeking at trade talks.

For U.S. agriculture the opportunities of TPP are clear across the board. Here are a few examples where TPP will address tariffs and expand market opportunities for U.S. farmers and ranchers:

- Beef—Japan is the largest export market for U.S. beef, valued at \$1.6 billion in 2014. Tariffs are as high as 50 percent in some TPP countries.
- Pork—Japan was the United States' top pork market in 2014 with \$2 billion in sales despite high tariffs and a complicated import system, both of which will be addressed in TPP.

- Poultry—Poultry tariffs in the TPP region are as high as 240 percent, and in 2014, the United States exported over \$2.5 billion of poultry to the TPP region.
- Dairy Products—TPP countries markets for dairy accounted for \$3.6 billion in U.S. dairy product exports in 2014.
- Fruits—Tariffs on fruits are as high as 40 percent across the TPP region, and in 2014, the United States exported almost \$3.1 billion in fresh fruits to the TPP region.
- Vegetables—In 2014, the United States exported almost \$5 billion in fresh and processed vegetables to the TPP region, and tariffs are as high as 90 percent.
- Wheat—In 2014, the United States exported more than \$2 billion of wheat to the TPP region, including to Japan where the United States is the dominant supplier.
- Soybeans and Soybean Products—The TPP region is the fourth-largest export destination for U.S. soybeans, accounting for over \$1 billion a year in sales, despite tariffs as high as 20 percent.
- In addition to cutting tariffs, the TPP will include strong sanitary and phytosanitary (SPS) provisions that will improve transparency and scientific decision-making to provide expanded access for U.S. products including meat, fresh fruits, and vegetables.

Trade in the 21st century is also about America's place in the world. The TPP is key to markets in Asia and the ability for the United States to play a lead role in establishing the rules and terms of trade throughout the Pacific Rim. If we don't get a trade agreement, the world will not stand still; other countries will step in and fill the void. They will have their own trade agreements. For those of us in agriculture who are concerned about raising standards, reducing barriers to trade, securing preferential access, and instituting enforcement provisions, the question is who do you want writing the rules of the road? I want the United States negotiating those rules.

With TPA, the United States will be able to seal the deal on high standard agreements, like the TPP and the T-TIP, that will help America's farmers and ranchers increase U.S. exports and compete in a highly competitive, globalized economy. But don't just take my word for it, I urge you to speak to your farmers, ranchers, and producers. A group of more than 70 agricultural organizations recently sent a letter to Congress stating that TPP can become the "most important regional trade negotiation ever undertaken" but for "TPP to become reality, Congress needs to pass TPA." I am committed to working with you in securing a bipartisan TPA.

Thank you. I look forward to your questions.

PREPARED STATEMENT OF HON. RON WYDEN

April 16, 2015

In several town halls I've recently held at home in Oregon, the number one issue that came up was secrecy. That's why I felt it was important to start the conversation on this issue as soon as possible. If you believe in trade and you want more of it, it doesn't make sense to have all this secrecy that makes the public cynical about what's going on. American trade policy needs to be pulled out of the time warp so that it works better for the middle class and delivers a new level of transparency. This has to be about creating more red, white and blue jobs and helping people climb the economic ladder. The same old playbook on trade won't work for Oregonians, so I won't accept it.

As Chairman Hatch and I discussed, we are working hard on finding common ground on modernizing our approach to trade policy. That includes Trade Promotion Authority, Trade Adjustment Assistance, tougher enforcement strategies and other important programs.

There are some very significant goals to accomplish. I believe it's essential to step up our enforcement of trade laws to stop rule-breaking countries more effectively. Enforcement should be based on defending American jobs and promoting economic growth at home.

It's time to raise the bar on labor standards, environmental protection, and human rights. No other country will carry the banner and fight for those values like the United States.

It's important to solidify the support system for workers in Oregon and across the country. Middle-class trade policies will work best when our workforce is ready to compete and when workers have access to job training, financial support, and health care.

And finally, it's necessary to build a better process and more transparency in trade policy. The public has a right to know what's at stake in trade negotiations, plain and simple. Those are some of the priorities I'm focused on as the committee works to find common ground. I look forward to discussing these issues with the witnesses here today.

PREPARED STATEMENT OF HON. RON WYDEN

April 16, 2015

What's most important about the package I worked on with Chairmen Hatch and Ryan, in my view, is that it builds middle-class trade policies that will heighten transparency, expand economic opportunity, and create good jobs here at home. Let's be clear—this legislation will not dust off the same old playbook from decades ago. Our approach to trade has been stuck in a time warp for too long. That old plan doesn't work for Oregonians or for everyday Americans across the country. This new package is a modern approach designed to help American workers and businesses take on the challenges of the global marketplace.

It does that by setting higher standards for trade agreements, stepping up tough enforcement, and delivering a new level of transparency, accountability, and oversight in trade. In sum, this package raises the bar for trade deals, and challenges our negotiators and other countries to meet it. If they fall short and the product doesn't meet our standards, Congress can still hit the brakes on a bad deal. That's something I fought to secure. And this package strengthens the support system for American workers and helps ensure our workforce is ready to compete. So with the remainder of my time this afternoon, I'd like to run briefly through those highlights.

First is how this legislation will ensure American businesses and workers—particularly in the middle class—get more out of trade. This package includes a new tool to put the focus of trade enforcement back where it belongs—on American jobs and growth—and make sure our trading partners live up to their commitments. It includes new enforcement provisions to stop foreign companies from making end-runs around our laws. And if other countries try to break the rules, it will include a new monitoring system to ensure that the warning bells will go off earlier than ever before.

With this package, labor rights and environmental standards will be brought to the core of trade agreements and backed by the threat of sanctions, rather than left unenforced on the periphery. There will be a new emphasis on human rights in agreements. And there will be new priorities set to ensure information can flow freely across national borders, which is crucial in today's digital economy. Nobody else has the muscle or the determination to force progress on those issues like the United States does.

Second, I want to talk about how this legislation creates a better process and more transparency in trade policy. Under this package, the public and their representatives in Congress will get real-time updates on what's at stake in trade negotiations. Every member of Congress will have full access to the text of negotiations from beginning to end. And any trade deal will be public for 60 days before the president can sign it.

No trade deal will be able to change U.S. law without Congressional action. There will not be any back door for corporations to skirt U.S. law. Foreign companies will have no more rights in international tribunals than they have in American courts.

And with this package, there will be a new procedure to hit the brakes on bad trade deals before they reach the Senate or House floor. So this is not a green light for any future trade deal that comes along.

Third, this legislation backs workers in Oregon and across the country by providing job training and financial support and by preserving their access to health

care. Competing in the global economy is a tough, national challenge. Taking that challenge on, it's absolutely essential to support America's workers—especially in tough times. That's why this package expands the Trade Adjustment Assistance program to include not just manufacturing sector workers but service sector workers as well, and to cover workers were hurt by competition from any country around the world. This restores the policy to exactly what was in place in 2013, and extends it until July 2021. It also extends the Health Care Tax Credit.

Those three points are only some of what this legislation does. It also includes important preference programs called the Generalized System of Preferences and the African Growth and Opportunity Act. GSP will last through 2017 and AGOA for a decade. It includes a five year extension of the Haiti HOPE Act.

A full description of everything this package does to modernize trade policy would keep us here till sundown, so I'll close by saying this. There are booming economies around the world that have more money to spend with every passing year. So my bottom line is, we should grow and manufacture things here, add value to them here, and ship them to consumers in those markets abroad. The package of legislation I've worked on with Chairmen Hatch and Ryan will help ensure our trade policies do that in a transparent way that strengthens the middle class, expands economic opportunity, and creates high-skill, high-wage jobs here at home. I look forward to discussing that opportunity with our witnesses today.

PREPARED STATEMENT OF HON. RON WYDEN

April 21, 2015

My guiding principle in six months of negotiating with Chairman Hatch and working with the members of this committee is that the playbook for trade has to change. It's clear, in my view, that trade agreements in 2015 must be very different than trade agreements from the 1990s. The president himself said in the State of the Union that previous trade deals haven't always, "lived up to the hype." So our policies can't be stuck in a time warp.

Twenty-five years ago, nobody carried around iPhones. The Internet was not anything close to the economic engine it is today. China was only beginning to develop into an economic powerhouse. Container ships were smaller and the world traded less.

It's a different world today, which is why the legislation the committee is debating this week throws out the old playbook. Here's some of what's different with this legislation.

First, it will put the focus of enforcement back where it belongs—on jobs and growth here in America. I hear a lot of people ask, "Why bother negotiating new trade deals when the existing trade laws aren't being enforced?" This legislation will help make sure the warning bells go off earlier and more loudly when other countries try to break the rules. And it will help stop other countries and companies that try to make end-runs around our laws. It will also break down unfair trade barriers that are preventing Made in America products from competing on a level playing field in overseas markets.

Second, with this legislation, the U.S. is going to aim higher in its trade deals. In the 1990s, labor rights and environmental standards were unenforceable side-deals in trade agreements. Those side-deals had no teeth, which meant they weren't much good from the beginning. That's going to change today because labor and the environment will be core, enforceable elements in trade agreements going forward. Furthermore, there will be a new emphasis on human rights in trade deals. And protecting an open Internet and the digital economy will be new priorities.

Third, this legislation is going to fight the excessive secrecy that causes people to be skeptical about trade. If you believe in trade and want more of it, why have so much secrecy? Under this legislation, any trade deal will be public for 60 days before the president can sign it. Add in the time it takes to move through Congress, and that means deals will be public for four or five months. In addition, Congress and the public will get real-time updates on what's at stake in negotiations. That's a new level of transparency.

Fourth, this legislation goes further than any TPA bill to protect American sovereignty. It guarantees that trade deals cannot change U.S. law without congressional action. And foreign companies will have no more rights in international tribu-

nals than they have in American courts today. There won't be any back door that would let corporations skirt our laws.

Finally, this legislation protects Congress' ability to hit the brakes on a bad trade deal. This bill is not a green light for the Trans-Pacific Partnership or any trade deal that comes before Congress. What this legislation does is raise the bar for future trade deals and challenge our negotiators and foreign countries to meet it. If they fail, Congress can stop a bad deal dead in its tracks. That's an important democratic power that I fought to protect.

I'll wrap up by saying that the global middle class will more than double in size by 2030, with most of that growth overseas. And as I see it, there will be a positive link between the strength of America's middle class and the growing middle class around the world. Billions of people, for the first time, will be looking to buy food, computers, cars, and hundreds of other products and services. I bet everybody in this hearing room would like to see those products and services made and delivered by Americans.

In my view, the legislation under debate this week—and in the weeks ahead—is all about fighting for the Oregon brand and the American brand. This is Congress's best chance to produce middle-class trade policies and fight for American values around the world. And I'm looking forward to debating how best to accomplish that.

COMMUNICATIONS

LETTER SUBMITTED BY THE AMERICAN CHEMISTRY COUNCIL

April 21, 2015

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Hatch and Ranking Member Wyden:

The American Chemistry Council (ACC) strongly supports current initiatives to expand access for U.S. exports to key international markets. We particularly support the Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (TTIP) negotiations as a means to achieve these export objectives. Trade Promotion Authority (TPA) renewal is among the most critical trade votes Congress must undertake to realize America's ambitious trade agenda and support expanded growth in exports. We urge Congress to renew TPA as soon as possible.

The business of chemistry in the United States is enjoying an unprecedented boom in competitiveness and growth, largely due to the increased supply of low-cost natural gas, a feedstock and a power source for chemical manufacturing. As a result of shale gas, more than 229 separate chemical manufacturing investments have been announced since 2010, representing a cumulative capital investment of \$140 billion in new chemical capacity. This new capacity will exceed U.S. domestic demand, and will necessarily serve important export markets. Even with the recent drop in oil prices, gross exports of chemical products linked directly to natural gas are projected to double in the next fifteen years, from \$60 billion in 2014 to \$123 billion by 2030, according to a recent report from Nexant, Inc. However, enhanced U.S. chemical export performance will depend on many factors, including the U.S. pursuing the right trade policies that further strengthen the competitive position of the U.S. industry.

TPA is critical to completing the trade agreements now being negotiated. TPA will therefore help open markets and help ensure the U.S. chemical industry can capitalize on its massive export potential.

The Congressional trade agenda should also include the reauthorization of the Miscellaneous Tariff Bill (MTB). U.S. manufacturers large and small use the MTB's tariff suspension provisions to obtain raw materials, proprietary inputs and other products that are not available in our nation without incurring unnecessary tariff barriers. Each day that passes without an MTB process hurts American manufacturers' ability to do business. In fact, the failure to pass the MTB has essentially imposed a tax on manufacturers of \$748 million and economic losses of \$1.857 billion over three years. The impacts extend to the people and businesses that depend on manufacturing. Ramifications are experienced throughout the supply chain, from the suppliers, to the millions of people who are employed in manufacturing, to the local governments that depend on the spending and tax revenue generated by the industry. Any action to reduce barriers to domestic production and increase the competitiveness of U.S. companies must include the reauthorization of MTB.

For U.S. chemical manufacturers to succeed in today's global economy, we must be able to compete effectively in international markets. For this reason, we support an ambitious trade agenda, including TPA and MTB, that deliver enhanced access to

overseas markets and support the competitive position of U.S. manufacturers. ACC looks forward to working with you to ensure that an ambitious trade agenda delivers on its promise.

Sincerely,

Michael P. Walls
Vice President
Regulatory and Technical Affairs

UNITED STATES SENATE

COMMITTEE ON FINANCE

**HEARING ON ADVANCING CONGRESS'S TRADE AGENDA:
CONGRESS AND U.S. TARIFF POLICY**

APRIL 21, 2015

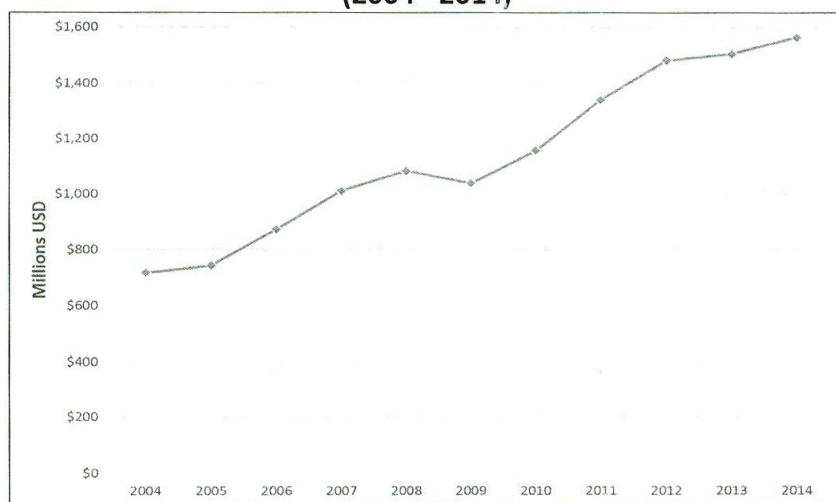
**STATEMENT OF THE DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES, INC.**

The following statement is submitted on behalf of the Distilled Spirits Council of the United States, Inc. (Distilled Spirits Council) for inclusion in the printed record of the Committee's hearing on Advancing Congress's Trade Agenda and U.S. Tariff Policy. The Distilled Spirits Council is a national trade association representing U.S. producers, marketers and exporters of distilled spirits products. Its member companies export spirits products to more than 130 countries worldwide.

THE IMPORTANCE OF TRADE TO THE U.S. SPIRITS INDUSTRY

The Distilled Spirits Council and its members have a strong and growing interest in trade, from a commercial perspective and from a policy perspective. As a commercial matter, our members have become increasingly reliant on exports to fuel growth. Indeed, global U.S. spirits exports have more than doubled over the past decade, reaching over \$1.5 billion in 2014. This was the eighth consecutive year that exports of American-made spirits exceeded \$1 billion. The majority of U.S. spirits exports are comprised of Bourbon and Tennessee Whiskey, which are recognized in several trade agreements as distinctive products of the United States. Exports of rum and other spirits also make a significant contribution to the U.S. economy. As of 2012, the distilled spirits industry supported 717,000 direct employees. Continuing to expand exports supports current and future employment in the industry.

GLOBAL U.S. SPIRITS EXPORTS¹ (2004 - 2014)



Given the growing importance of export markets to the industry's long term growth, the Distilled Spirits Council has a strong interest in a wide range of trade policy matters and has long been a very active supporter of market-liberalizing trade initiatives. For example, the Distilled Spirits Council has strongly supported multilateral, regional and bilateral trade agreements. We are active participants in the business coalitions supporting the negotiations toward a Trans-Pacific Partnership Agreement (TPP) and Transatlantic Trade and Investment Partnership (TTIP), have supported Congressional approval of free trade agreements (FTAs) the United States has concluded with various trading partners, as well as the granting of Permanent Normal Trade Relations (PNTR) status to China, Vietnam and Russia.

THE IMPORTANCE OF RENEWING TRADE PROMOTION AUTHORITY

There is no doubt that past efforts by the United States to open foreign markets have contributed to the impressive gains the U.S. industry has made, and continues to make, in expanding U.S. spirits exports. Certainly, past grants of trade promotion authority provided previous administrations with the necessary leverage to secure significant market access commitments from trading partners.

For example, during the Uruguay Round of GATT negotiations, distilled spirits were included in the "zero-for-zero" negotiations, in which the United States and European Union agreed to eliminate their respective tariffs on substantially all spirits. The value of U.S. exports to the European Union have more than tripled since the Uruguay Round agreements entered into force in 1995, from \$184 million to \$744.5 million in 2014. In addition, the implementation of FTAs has improved access for U.S. spirits exports to several important overseas markets, such as Australia, Canada, Mexico, Chile, Peru, Singapore, Korea, Colombia, Panama and Central America. Since the tariffs were eliminated under the U.S.-Australia FTA in 2005, for example, U.S. spirits exports to Australia have grown by 70% to \$131 million. Australia now ranks as the industry's fourth largest export market worldwide. Such trade liberalizing efforts are critical to ensure that U.S. spirits exports are on a level playing field with domestically-produced spirits and other imported spirits.

Despite these impressive gains, the U.S. spirits industry continues to confront formidable trade barriers, particularly in key emerging markets. India, for example, assesses an import tariff of 150% *ad valorem* on spirits and, as a result, U.S. spirits exports to India remain disappointingly low. In 2014, U.S. direct spirits exports to India were valued at \$3.9 million, accounting for less than 0.3% of all U.S. spirits exports. Indeed, U.S. spirits exports to India remain far below U.S. exports to com-

¹ Source: U.S. International Trade Commission TradeDataweb.

parable markets, particularly in light of the fact that India ranks as *the largest whiskey market in the world*, both in terms of volume (1.5 billion liters in 2013) and value (\$21.6 billion in retail sales in 2013).² Other emerging markets with strong potential for U.S. spirits sales also maintain high tariffs on imports, including Vietnam (45%), which is participating in the TPP negotiations, Thailand (54–60%), and Brazil (20%).

Moreover, international regulatory activities affecting product standards, labeling and certification requirements, among other non-tariff measures, have become increasingly problematic for the U.S. spirits industry. As a consequence, our organization devotes considerable resources to monitoring regulatory developments, principally through the notification procedures established under the WTO Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS). In that connection, the Distilled Spirits Council has submitted numerous detailed comments with respect to proposed TBT and SPS measures that could impact trade in distilled spirits.

Current and future trade negotiations offer an important vehicle to address tariff and non-tariff barriers that impede the ability of U.S. spirits exporters to gain a foothold in foreign markets. Specifically, negotiations towards a TPP agreement afford an important opportunity to open up key emerging markets, including Vietnam and Malaysia, to U.S. spirits exports. However, TPA is essential in order to bring these important negotiations to a successful conclusion. Failure to do so will provide trading partners with whom the U.S. is negotiating little incentive to make the key decisions needed to conclude strong, market-opening agreements, thus leaving U.S. companies, including spirits exporters, at a serious competitive disadvantage vis-à-vis our overseas competitors.

CONCLUSION

In sum, international trade has become increasingly important to the U.S. spirits industry, and the ability of the United States to conclude high standard, comprehensive and trade liberalizing agreements with key partners will help to ensure the long term viability of the industry. TPA is absolutely vital to ensure that U.S. negotiators are empowered to conclude the strongest possible trade agreements to address the types of trade barriers that impede U.S. exports of distilled spirits. The Distilled Spirits Council, therefore, strongly supports swift congressional approval of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, and we stand ready to cooperate closely with Congress in seeking the prompt approval of this legislation.

Thank you very much for your consideration.

Written Statement of:

Dr. Peter H. Cressy
President/CEO
Distilled Spirits Council of the United States, Inc.
1250 Eye Street, NW, Suite 400
Washington, DC 20005
(202) 682-8870

Senate Finance Committee

Congress and U.S. Tariff Policy

April 21, 2015

LeadingAge

William L. Minnix, Jr., CEO

The Honorable Paul D. Ryan, Chair
The Honorable Sander M. Levin, Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Levin:

²Source: Euromonitor International Database.

On behalf of LeadingAge, I am writing about our concern over proposed trade legislation that would offset the cost of extending trade readjustment assistance benefits with another extension of Medicare sequestration. This offset is simply wrong, and we urge you to remove it from the legislation.

Over the last few years, Medicare payments to post-acute care providers have taken a number of hits. The Affordable Care Act applies a productivity adjustment factor to the annual Medicare payment update, directly affecting resources necessary for good-quality care. Payments to skilled nursing facilities were cut by 11% across-the-board in 2011. Home health care payments are being rebased, which will substantially reduce reimbursement to providers. Last year, Congress enacted value-based purchasing for skilled nursing facilities, due to take effect within a few months. And the IMPACT Act enacted last year will lead to major revisions in post-acute care payment systems over the next few years.

In 2015, the 2% Medicare sequestration resulted in no payment update for most post-acute care providers, since it essentially negated the 2% increase in provider costs that the Centers for Medicare and Medicaid Services (CMS) had calculated. Medicare sequestration is already scheduled to last a year longer than originally enacted because it was used to offset the cost of restoring cost-of-living increases in military pensions. Again, we do not argue with military pension policy, but the offset should not have come from a program providing essential health care coverage to seniors.

As the large baby boom cohort ages, Medicare will face growing cost pressures. We also anticipate potential budget legislation later this year that could have an impact on the program. If savings have to be achieved in Medicare, they should be directed back into keeping it financially stable for the population it is intended to serve.

Medicare must not be a piggy bank to offset the costs of legislation unrelated to the program. Please find other means of offsetting the costs of the trade measure soon to come before your committee.

Sincerely,
William L. Minnix, Jr.
President and CEO

About LeadingAge

The mission of LeadingAge is to expand the world of possibilities for aging. Our membership has a service footprint of 4.5 million and includes a community of 6,000 members representing the entire field of aging services, including not-for-profit organizations, state partners, and hundreds of businesses, consumer groups, foundations, and research partners. LeadingAge is a tax-exempt charitable organization focused on education, advocacy, and applied research.

Statement for the Record **National Association of Manufacturers** 733 10th Street, NW, Suite 700 Washington, DC 20001

Senate Committee on Finance **Congress and U.S. Trade Policy**

April 21, 2015

The National Association of Manufacturers (NAM) is pleased to provide the following statement to the Senate Committee on Finance on “Congress and U.S. Trade Policy.”

The NAM is the nation’s largest industrial association and voice for more than 12 million women and men who make things in America. Manufacturing in the U.S. supports more than 17 million jobs, and in 2014, U.S. manufacturing output reached a record of nearly \$2.1 trillion. It is the engine that drives the U.S. economy by creating jobs, opportunity and prosperity. The NAM is committed to achieving a policy agenda that helps manufacturers grow and create jobs. Manufacturing has the biggest multiplier effect of any industry and manufacturers in the United States perform more than three-quarters of all private-sector R&D in the nation—driving more innovation than any other sector.

The NAM has long championed a robust trade and investment policy to grow manufacturing in the United States. At its core, a robust manufacturing U.S. trade policy should seek to open markets and level the playing field overseas, improve the competitiveness of manufacturers in the United States and ensure the strong enforcement of the rules of the trading system at home and by our trading partners. The Committee is marking-up major parts of that robust manufacturing trade agenda on April 22. The NAM's views on Trade Promotion Authority and the other key pieces of legislation contained in the Chairman's Mark are contained herein. The NAM also supports action on the "American Manufacturing Competitiveness Act of 2015" by Senators Rob Portman (R-OH), Claire McCaskill (D-MO), Pat Toomey (R-PA), and Richard Burr (R-NC), that provides an important path forward on the Miscellaneous Tariff Bill (MTB) that helps promote the competitiveness of our country's manufacturers.

Bipartisan Congressional Trade Priorities and Accountability Act

The NAM strongly supports the Bipartisan Congressional Trade Priorities and Accountability Act (H.R. 1890/S. 995), introduced last week by Senate Finance Committee Chairman Orrin Hatch (R-UT), Senate Finance Ranking Member Ron Wyden (D-OR), and House Ways and Means Chairman Paul Ryan (R-WI). This legislation sets forth the much-needed Executive-Congressional framework to ensure that both branches of government work to achieve the strongest possible outcomes in our trade agreements. This legislation also provided important updates to the traditional TPA framework, including with respect to priority negotiating issues consistent with the NAM's priorities.

TPA is a longstanding and proven procedural partnership between Congress and the Executive Branch that facilitates negotiation and approval of trade agreements that open markets for manufacturers in the United States. As set out in the new legislation, Congress sets forth trade negotiating objectives, increasing Congress's role in shaping international trade negotiations.

As detailed in NAM's *Trading Up with TPA* report, trade agreements negotiated under TPA deliver for manufacturers and their employees. America's 20 existing free trade agreement partners account for less than ten percent of the global economy but purchased nearly half of all U.S. manufactured goods exports in 2014.

New trade agreements would give the more than 256,000 manufacturers in the United States—and their more than 12.3 million employees—better access to the 95 percent of the world's consumers who live outside the United States. At \$11.8 trillion, world trade in manufactured goods is nearly three times the size of the \$4.1 trillion U.S. domestic market for manufactured goods.

In doing so, strong trade agreements negotiated under TPA would boost U.S. manufacturers' confidence that they can compete on a level playing field internationally. The United States has one of the most open economies in the world. America has the lowest applied tariff of any G-20 country according to the WTO, with more than two-thirds of all manufacturing imports entering the United States duty-free since 2013. But U.S. manufactured goods exports face higher tariffs, non-tariff barriers and other unfair trade practices overseas than exports from China, Germany, Mexico and other major economies according to the World Economic Forum. By eliminating these discriminatory and unfair barriers overseas, trade agreements negotiated under TPA will provide substantially greater opportunities for businesses and their employees in the United States.

To negotiate the type of comprehensive, high-standard and market-opening trade agreements that have driven export growth and jobs across the country, TPA is essential.¹ TPA legislation has been in place and was utilized during the negotiation and implementation of the Uruguay Round Agreements creating the WTO and for 13 FTAs negotiated since 1974.² Without TPA, manufacturers in the United States have been standing on the sidelines while other countries negotiate deals that don't include—and disadvantage—the United States. TPA last expired in 2007, and the

¹It is sometimes argued that hundreds of trade agreements have been negotiated without TPA. Those agreements are not the type that open markets overseas or include binding and state-of-the art dispute settlement. For example, Trade and Investment Framework Agreements provide a useful opportunity for the United States to engage in economic discussions with foreign governments but do not obligate either country to open its market or address barriers.

²Of all U.S. market-opening FTAs, only the U.S.-Jordan FTA was implemented without TPA. Notably, the Jordan FTA is much less comprehensive and less developed than our other FTAs, and most prominently lacks the state-of-the-art time-limited dispute settlement provisions that are found in the North American Free Trade Agreement and all subsequent FTAs.

United States has not concluded any new agreements since then. That is nearly eight years ago. U.S. manufacturers cannot afford to wait any longer.

Action on TPA is vital to ensure that U.S. negotiators can bring home the strongest possible outcomes in both the ongoing Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP) talks that will set in place new and stronger rules to level the global playing field and to engage in major new negotiations. Such legislation is also needed for the World Trade Organization Environmental Goods Agreement and Trade in Services Agreement talks and future negotiations.

Time is of the essence. Other major economies are already negotiating dozens of agreements without the United States that could put manufacturers and workers in the United States at a significant competitive disadvantage. If Congress does not move expeditiously to pass TPA and ensure the United States continues to lead in striking trade deals that drive manufacturing growth and job creation, we will be forced to sit on the sidelines while other countries negotiate deals that exclude us.

The Bipartisan Congressional Trade Priorities Act and Accountability of 2015 provides a very strong model to move forward on TPA as soon as possible. Not only does this legislation set forth clear and ambitious goals to eliminate tariffs and open overseas markets to U.S. goods, services and investment, it also establishes powerful new trade negotiating objectives that address existing and emerging commercial challenges to manufacturing growth and exports in markets around the world.

For the first time in a TPA bill, the Bipartisan Congressional Trade Priorities Act confronts the serious and growing problem of forced localization barriers to trade. It seeks to eliminate trade distortions and unfair competition from state-owned enterprises and to promote regulatory transparency, procedural fairness and rule-making based on risk assessments and sound scientific evidence. It includes critical new provisions addressing cyber theft and protecting trade secrets and confidential business information.

The legislation would foster manufacturing growth and innovation here in the United States. It includes highly important negotiating objectives to establish more open and fair trade in goods, improved transparency and protections and enforcement for intellectual property.

The negotiating objectives also seek to ensure that U.S. property overseas is treated fairly and in accordance with core U.S. due process principles, subject to Investor-State Dispute Settlement. As explained this week in a letter from 62 business organizations representing millions of manufacturers and businesses across the United States, “[t]hese provisions promote fairness and the rule of law overseas, while helping to sustain and grow the U.S. economy.” These provisions provide recourse against unfair and discriminatory treatment overseas.

Just as importantly, the legislation would restore the vital partnership between Congress and the President that facilitates the negotiation and approval of trade agreements. It enhances congressional oversight over trade negotiations and, for the first time, explicitly confirms and provides that any Member of Congress can access negotiating text, submit views and attend trade agreement negotiating rounds. Separate House and Senate advisory groups would oversee ongoing trade talks, including through regular, scheduled meetings.

At the same time, the Bipartisan Congressional Trade Priorities and Accountability Act will empower U.S. negotiators to bring back the strongest possible trade agreements to open markets and level the playing field. Without this authority, our trading partners have little incentive to make tough decisions or put their best offer on the table.

From the NAM’s perspective, this legislation provides the type of framework needed to secure new, market-opening trade agreements. The NAM urges Congress and the Administration to move forward on the Bipartisan Congressional Trade Priorities and Accountability Act as quickly as possible. For more information, please see more information on the NAM’s website.

Other Trade Legislation

The NAM also strongly supports the following legislation being considered by the Committee:

- The retroactive extension of the Generalized System of Preferences (GSP) program that provides duty-free treatment to non-import sensitive products from developing countries that meet important eligibility criteria. This important leg-

islation, which is contained in the AGOA Extension and Enhancement Act of 2015 (H.R. 1891), introduced by House Ways and Means Chair Ryan and Ranking Member Sander Levin (D-MI) and Senate Finance Committee Chairman Hatch and Ranking Member Levin, is vital for many manufacturers that require manufacturing imports from overseas and helps grow the global competitiveness of the U.S. manufacturing sector.

- The customs modernization provisions of the Senate Finance Committee Chairman's Mark that will improve the operations of Customs and Border Protection (CSP), cut red tape to prevent delays and improve manufacturers' ability to participate more competitively in the global economy. The Senate's proposed bill contains many customs modernization provisions that the NAM had sought to address problems in customs processing including on key issues such as duty drawback modernization, exemption from duty for container residue and protection of intellectual property rights.
- The Enforcing Orders and Reducing Customs Evasion Act (ENFORCE) provisions of the Senate Finance Committee Chairman's Mark. This legislation is critical to ensure the full and fair enforcement of the trade remedy laws that help manufacturers address government-subsidized and other unfair competition. Too often, we hear from our manufacturers that they have spent significant time and resources to utilize the trade remedy rules and obtain antidumping/countervailing duty (AD/CVD) orders only to find importers that are evading these orders. When manufacturers request that CSP investigate these cases of evasion, years often pass with no resolution, hindering the ability of U.S. industry to remedy the injury they have suffered from unfair imports. As detailed recently by the Office of the United States Trade Representative³ "the United States has witnessed a dramatic increase in activities expressly designed to evade the application of antidumping duties." Title V of the Chairman's Mark includes an important remedy to this problem by creating a process for CBP to review and act to reclassify imports that have been found to be evading trade remedy orders. This legislation provides basic due process procedures for domestic manufacturers, including timelines for CBP to act and the potential for judicial review.

Conclusion

In manufacturing communities across America, the gains from trade can and should be increased. The United States achieved a record level of \$1.4 trillion in manufactured exports last year, but we can do better so that America can expand manufacturing and jobs here at home. To improve the global competitiveness of manufacturers in the United States and grow our manufacturing economy, the NAM urges prompt action on TPA, in addition to the extension of GSP, customs modernization legislation and new ENFORCE provisions that will advance our global competitiveness and the full enforcement of our trade agreements and existing domestic trade rules.

National Farmers Union

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TESTIMONY OF ROGER JOHNSON

PRESIDENT

NATIONAL FARMERS UNION

SUBMITTED TO THE U.S. SENATE COMMITTEE ON FINANCE
REGARDING CONGRESS AND U.S. TARIFF POLICY

APRIL 21, 2015
WASHINGTON, DC

Introduction

On behalf of family farmers, ranchers, and rural members of National Farmers Union (NFU), thank you for the opportunity to submit testimony regarding U.S. trade policy and Trade Promotion Authority. NFU was organized in Point, Texas in

³"Antidumping Duty Evasion Services," paper from the United States to the WTO Committee on Anti-Dumping Practices, Informal Group on Anti-Circumvention (17 Mar. 2015), accessed at <http://documents.nam.org/IEA/G-ADP-IG-W-54.pdf>.

1902 with the mission of improving the well-being and economic opportunity for family farmers, ranchers, and rural communities through grassroots-driven advocacy. That mission still drives NFU's work today. As a general farm organization, NFU represents agricultural producers across the country and in all segments of agriculture.

NFU, as directed by its policy adopted by delegates to its annual convention, advocates for fair trade. NFU recognizes that international trade is an important part of successful family farming in the U.S., but increasing trade is not an end unto itself. NFU policy states, "Every future trade agreement must address differences in labor standards, environmental standards, health standards, and the trade-distorting effect of currency manipulation and cartelization of agriculture markets."¹

The original intent of Trade Promotion Authority (TPA) was to lay out the procedures for notification between the executive and legislative branch and the expedited legislative process for approval. Beyond the procedural components of Trade Promotion Authority, and most importantly, the legislation sets forth the objectives for any president for negotiating trade agreements. The Trans-Pacific Partnership negotiations are largely completed, so there is no need for Congressionally assigned, unenforceable objectives. Objective-setting should occur prior to the start of negotiations, not near the end.

Balancing Trade

For years, trade agreements have been touted for their ability to open up markets for agricultural exports. Agriculture has had the good fortune to fair relatively well in trade. Since 1960, U.S. agricultural exports have been larger than agricultural imports, creating a surplus in agricultural trade.² This surplus is important for the overall economy because it helps offset the massive overall trade deficit, which totaled over \$505 billion in 2014, a six percent increase from 2013. The overall trade deficit represents roughly three percent of the U.S. Gross Domestic Product (GDP). The trade deficit causes a drag on overall growth of the economy. With a strengthening U.S. dollar, the deficit is likely to grow in 2015, as a strong U.S. dollar will encourage imports and reduce exports.

In the first three years of the Korea-U.S. Free Trade Agreement, remarkably and unfortunately, U.S. agricultural exports have stagnated at zero percent, and the overall trade deficit with Korea has increased to \$12.7 billion, an estimated 84 percent increase. After implementation of the free trade agreement, agricultural exports have failed to increase to Korea, despite increasing six percent overall. When even agriculture fails to grow as a result of trade agreements, the overall trade policy must be reevaluated. The U.S. reduced tariffs with Korea, and as a result, more Korean products are in the U.S. than the U.S. has shipped to Korea. The deficit has negative impacts on jobs and rural communities.

The massive overall trade deficit exists despite the U.S. having free trade agreements with 20 countries, including major trading partners like Canada and Mexico. Because of the significant impact the trade deficit has on the U.S. economy, all future trade agreements, such as TPP and the Transatlantic Trade and Investment Partnership (T-TIP), must have the explicit objective of balancing trade. NFU is disappointed this objective was not included in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015.

Currency Manipulation

One of the major contributing factors to the massive trade deficit is currency manipulation. Currency manipulation occurs when other countries deliberately lower the value of their currencies relative to the U.S. dollar to gain an unfair advantage. This uniquely American issue, due to the role of the U.S. dollar in the global economy, effectively acts as a subsidy on that country's exports and a tax on U.S. exports.

One of the members of the TPP negotiations, Japan, is a major currency manipulator. In a report by the Economic Policy Institute (EPI) evaluating the impact of trade with Japan, EPI found that 896,600 U.S. jobs have been lost due to the U.S.-

¹Natl Farmers Union, 2015 Policy of the National Farmers Union (2015) available at <http://www.nfu.org/nfu-2015-policy/2066>.

²USDA Economic Research Service available at <http://www.ers.usda.gov/topics/international-markets-trade/us-agricultural-trade.aspx>.

Japan trade deficit.³ Currency manipulation is the single most significant cause of the trade deficit with Japan, which totaled \$78.3 billion in 2013 for goods.

The issue of currency manipulation is not exclusive to countries with which the U.S. does not have trade agreements. In fact, the latest free trade agreement the U.S. entered into with South Korea suffers the same issues with currency manipulation as Japan. Earlier this month, the U.S. Treasury Department issued its semiannual report on international economic and exchange rate policies. In its report, its harshest criticism of currency manipulation was reserved for South Korea, not China. The report stated, “Korean authorities appear to intervene on both sides of the market but, on net, they have intervened more aggressively to resist won appreciation.”⁴ The U.S. entered into a free trade agreement with Korea in March of 2012. The U.S.-Korea Free Trade Agreement (KORUS) used the same failed blueprints of previous trade agreements and failed to include provisions to address currency manipulation. South Korea has, and continues to be, one of the world’s major currency manipulators. Currency manipulation has the capacity to eliminate any gains in tariff reductions that may be made in free trade agreements. Without measures to enforce restrictions on currency manipulation, free trade agreements fail to live up to the promises made by their supporters.

Currency manipulation remains a top concern of NFU, particularly in the context of TPP. Members of the TPP negotiations are well known currency manipulators, including Malaysia, Singapore, and Japan. With passage of Trade Promotion Authority, Congress eliminates its capacity to ensure that this significant trade agreement contains enforceable measures to address currency manipulation.

Conclusion

NFU’s policy book states, “The measure of the success of a trade agreement has to be its benefit to U.S. agriculture and specifically of its producers’ net income. Vague promises of ‘market access’ to foreign markets do not offset opening our border for even larger amounts of foreign-produced goods to enter our markets. Market access does not equal market share.”

Since TPP almost certainly contains no measures to address the trade deficit or currency manipulation and TPA fails to address these major concerns, NFU opposes TPA. Congress should maintain its Constitutional authority and review the trade agreements in a transparent manner.

LETTER SUBMITTED BY 21ST CENTURY FOX ET AL.

April 21, 2015

The Honorable Orrin Hatch
Chairman
Committee on Finance
U.S. Senate
219 Dirksen SOB
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
U.S. Senate
219 Dirksen SOB
Washington, DC 20510

The Honorable Paul Ryan
Chairman
Committee on Ways and Means
U.S. House of Representatives
1101 Longworth HOB
Washington, DC 20515

The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
1106 Longworth HOB
Washington, DC 20515

Dear Chairmen Hatch and Ryan and Ranking Members Wyden and Levin:

We write in strong support of the Bipartisan Congressional Trade Priorities Act of 2015 (BCTPA). America’s film and television industry is one of the few that runs a persistent trade surplus—over \$13 billion in 2013. More broadly, America’s core copyright industries (film, TV, music, publishing, and software) are among Amer-

³Economic Policy Institute, Currency Manipulation and the 896,600 U.S. Jobs Lost Due to the U.S.-Japan Trade Deficit (2015) available at <http://www.epi.org/publication/currency-manipulation-and-the-896600-u-s-jobs-lost-due-to-the-u-s-japan-trade-deficit/>.

⁴U.S. Department of the Treasury, Report to Congress on International Economic and Exchange Rate Policies (2015) available at http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2014-4-15_FX%20REPORT%20FINAL.pdf.

ica's biggest trade success stories. Total foreign sales (exports + licensing and royalty revenue) of these industries exceeded \$156 billion in 2013—which is larger than total foreign sales of many other major U.S. industries, including aerospace, chemicals, and all of agriculture.

As these numbers show, international markets are already critically important to the U.S. movie and television industry and the two million men and women whose jobs depend on it. On average, over 60% of film revenue comes from overseas markets. Foreign market sales also provide an important source of revenue supporting U.S. television productions. Overseas markets will be increasingly important in the future.

For the U.S. movie and television industry, the intellectual property (IP) chapters of U.S. free trade agreements (FTAs) are critical. All over the world, a lack of adequate IP protection is an effective market access barrier for the U.S. creative and innovative industries. Many of our trading partners do not provide nearly the level of copyright or other IP protections as the United States. The IP chapters help raise standards to a basic level of protection for America's creative and innovative industries—still significantly lower than the level provided by U.S. law, but usually major improvements from the standards in the absence of the FTA.

Other provisions of FTAs are also important. The Services chapters help break down barriers to U.S. audio-visual productions such as screen quotas, primetime limits, investment restrictions, and distribution limits. The e-commerce and digital trade provisions are also increasingly critical. The U.S. movie and television industry is already one of America's biggest Internet industries and will increasingly rely on digital distribution channels in the future.

BCTPA's objectives provide the right foundation for USTR to negotiate strong agreements for the U.S. creative industries and the millions of workers they employ. We urge you to move swiftly to approve the legislation and look forward to working with you to help.

Sincerely,

21st Century Fox
NBCUniversal
Sony Pictures Entertainment Inc.
Time Warner Inc.
Viacom Inc.
The Walt Disney Company

